

Accountancy

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Professional Notes

Efficiency with Reticence—

THE BROADCASTING COMMITTEE PRESIDED OVER BY LORD BEVERIDGE PAYS A tribute to the financial administration of the British Broadcasting Corporation. The report, published during January (Command 8116, His Majesty's Stationery Office, 6s. 6d. net), quotes and accepts a memorandum prepared for the committee by one of its members, Mr. I. A. R. Stedeford, chairman of *Tube Investments* :

A detailed study of the B.B.C.'s accounts and accountancy methods has shown that the Corporation has a firm grasp of the principles of financial control and wields them most effectively. All the information which could possibly be required by the Director General is readily available, and financial planning is of a high order. It has seldom been my good fortune to examine a more efficient and intelligently handled financial organisation.

This financial and accounting efficiency within the B.B.C. is not matched, however, by the standards of informativeness set by its published accounts. It has, says the Committee, told Parliament and the public very little about its finances, publishing little more than the minimum required by the Companies Act of 1948. The accounts "do not break up the total expenditure by regions or services, let alone by programmes"; the accounts for 1949-50 were the first which made possible even a comparison of expenditure on television with receipts from television licences. The public, who meet in their licence payments practically the whole cost of the B.B.C. and who, through the Government, conferred upon

it a monopoly—which the Committee recommends should continue—are entitled, the report affirms, to a great deal more than the minimum information required by statute of private [*sic*] companies. The Government, not the B.B.C., should decide what information is desirable.

—The B.B.C.'s Finances

The B.B.C. has a ten-year financial plan, based upon five main assumptions. These are : that no capital expenditure will be met from borrowing ; that all income, from licences or from other sources (such as publications), can be freely allocated by the B.B.C. for its various purposes ; that licence fees will remain as at present ; that 100 per cent. of licence revenue will be paid to the Corporation ; and that from the beginning of the current financial year it will be exempted from income tax by statute.

The Committee does not accept the Corporation's argument for its first assumption that, because its assets are non-realizable and because it should be free of the control of outside holders of capital, its capital expenditure should be entirely met from licence and other revenue. The report recommends that the Corporation should have borrowing rights up to £20 million for capital purposes. The Committee is surely right on this. Again, in deciding that television should stand on its own feet financially, instead of being subsidised out of listeners' licence payments as it is at present—and as it probably would still be under the second assumption—the Committee again seems to us to make its point. So, too, its conclusion, contrary to the third assumption, that the television licence fee could be raised materially without checking demand or causing hardship, appears indisputable. On the fourth assumption, the Committee does not recommend what percentage of licence fees should be paid to the B.B.C.—"this is a fiscal issue on which we find it difficult to express an agreed opinion of principle"—except that it mildly suggests 100 per cent. might be appropriate during the next five years of development. But it considers that the percentage should certainly be a definite figure not to be changed without adequate notice. It may perhaps be asked why licences for broadcasting and television should not be clearly

recognised as a proper source of Government finance, in the same way as theatre and cinema tickets. The fifth assumption would hold only if the Government gave way to the continual protestations of the B.B.C. that it should be exempt from income tax because it does not trade, makes no direct charge for its services and is dependent for funds on an annual Parliamentary vote. In 1930, however, the Special Commissioners decided that the Corporation was carrying on a trade for the benefit of listeners, and as the Committee says, the main part of the Government grant is based upon the amount of licence fees. The Committee refrains from committing itself on the Corporation's claim, which it thinks should go to the Royal Commission on Taxation. We see little reason why the Commission should accept it.

In another part of its report, the Committee recommends that there should be a review of the B.B.C. administration every five years: this review, it reports, should cover the finances of the Corporation. But to limit uncertainty, no substantial change in financial arrangements proposed at a quinquennial review should operate without two years' notice.

On a minor point, the Committee accepts the Corporation's plea that its charter should no longer provide that depreciation rates on assets should be determined by its auditors. While, however, discretion on these rates should rest with the B.B.C., the Committee expects "that it would consult with auditors [presumably this means 'its auditors'] before coming to its conclusions."

New Year Honours

We have pleasure in congratulating three members of the Society of Incorporated Accountants whose names appear in the New Year Honours list. Mr. Edwin V. Nixon, C.M.G., F.S.A.A., of Melbourne, Australia, is to be a Knight Bachelor. Mr. Nixon, who is in public practice in Melbourne in the firm of Edwin V. Nixon and Partners, receives this honour for public services, especially as Director of Finance in the Ministry of Munitions during the last war. Lt.-Col. C. G. Larking, F.C.A., A.S.A.A., previously chairman of the National Executive Council of the British Legion,

who is in practice in Maidstone and other towns in the firm of Larking and Larking, and Mr. F. H. Crosier, A.S.A.A., Deputy General Manager of the Navy, Army and Air Force Institutes, are both awarded the honour of Commander of the Order of the British Empire.

Among others in the list who are well known to members of the accountancy profession are Mr. L. S. Holmes, President of the Law Society, Mr. James Lythgoe, F.I.M.T.A., City Treasurer of Manchester, Mr. F. H. Peake, Controller of Death Duties, Board of Inland Revenue, and Mr. R. H. Wilson, B.COM., C.A., Controller, British Transport Commission, who are to be Knights Bachelor, and Mr. F. R. M. de Paula, F.C.A., who becomes a Commander of the Order of the British Empire for services to the Board of Inland Revenue.

The Census of Distribution

Almost a million census forms were delivered by post during the first three days of January. When completed, the forms will provide the raw material for the first census of distribution to be taken in this country. Among the recipients of the forms were some 654,000 retailers, 101,000 wholesalers, 85,000 caterers, 33,000 motor traders and some 72,000 other service traders.

So that the census organisation will not be over-loaded, and for no other reason, some services are not being covered by this census. They include public houses, hotels, entertainments, house and estate agents, and business and professional services. These services may be the subject of special censuses to be taken between the main censuses, which will occur at intervals of several years. In 1952, however, there will not be any census at all.

The census is compulsory. Returns, which are required for each separate establishment, should cover the calendar year 1950 or, if more convenient, a business year ending between April 5, 1950, and April 6, 1951. The completed forms are to be returned by March 31, 1951, except that traders whose return covers a business year ending between December 31, 1950, and April 6, 1951, may send it in within three months from the end of the business year, provided the Census Office has been notified earlier.

The forms were drafted with the help of an Advisory Committee, of which Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A. (a Council member of the Society of Incorporated Accountants) was a member. While the forms have been designed as simply as possible and many traders should be able to answer the questions themselves from their records, no doubt some will seek guidance from their professional accountants. The Board of Trade draw the attention of accountants to the fact that estimates will be readily accepted in reply to certain questions if precise figures are not available. For example, on Form 2, to be completed by retail traders, the figures in reply to questions 6b, 14 and 15 can be estimated: the Board do not wish traders to go to any great trouble to provide precise figures.

The Board ask, however, that traders should send in their returns earlier than the final dates, given earlier in this note, if they can. By doing so, they will assist in the early publication of the census report. It is emphasised that there is no need to wait until trading accounts are audited and approved.

Extra-Statutory Tax Concessions

The main feature of the report of the Inland Revenue for the financial year ended last March is an appendix giving a list of extra-statutory concessions in operation at the end of 1949. Additions and deletions are to be published in future reports. We reproduce the list later in this issue.

The publication, at long last, of the concessions will be welcomed in the accountancy profession. In March, 1949, a joint committee of the professional bodies (comprising representatives of the Institute of Chartered Accountants in England and Wales, the Society of Incorporated Accountants, the Scottish Chartered bodies and the Association of Certified and Corporate Accountants) asked the Inland Revenue to make public, for the first time, the concessions circulated by them to Inspectors of Taxes. The list of concessions published during the last war covered war-time ones only.

The report also contains an epitome of the legislation of the year and profuse statistical data of the Inland Revenue taxes. It does not, however, like the last report, give figures

of profits according to trade groups or tables of wages and salaries analysed by these groups. Publication of the last report was delayed until October, 1950, to allow these new statistics to be included for the year 1948-49. Rather than postpone the appearance of the present report until next October, the earliest date when the comparable figures for 1949-50 could be ready, it was decided to give them in the report to be published next January.

Company Law in South Africa

Following the report of the Millin Commission in September, 1948, the Minister of Economic Affairs in South Africa has now released a draft Bill to amend the Companies Act.

"Full disclosure" is the keynote of the present proposals. While the Bill is modelled on the British Act of 1948, in many respects it is in advance of that Act. For example, it would require the directors' report to disclose particulars of managerial service contracts and allotments of shares other than to the public and to deal with any circumstance occurring between the date of the balance sheet and the date of the report.

The Bill further provides that proxies (who need not be members) would be permitted to speak at meetings and a statement to this effect would have to appear on every notice of meeting and proxy form. Published proceedings of meetings would have to contain a fair summary of material questions asked or comments made by members.

Where an auditor (or banker, broker or solicitor) was named in a prospectus his consent would need to be filed with the Registrar. The Minister would be empowered to appoint a joint auditor to a company and to fix his remuneration.

That familiar type of advertisement ("This is not a prospectus") calling attention to the issue of a prospectus and often containing a summary of the offer is specifically dealt with in the Bill, the aim being to ensure that the public should not invest on the basis of inadequate information.

In certain particulars the South African proposals do not follow the British legislation. For example, there is no retirement age of directors and there is no resort to the creation of the

"exempt private company." The Bill incorporates the suggestion, made by the Scottish Chartered bodies, that all companies be obliged to file their balance sheets with the Registrar but that private companies be relieved of the obligation to file the directors' report and the profit and loss account.

The proposals regarding inspections, directors' emoluments and the framing of annual accounts accord with the British Act with one or two variations. There are proposals that the profit and loss account should disclose details (including the names of the companies) of remuneration paid to and received from other companies and interest, rent or royalties paid to and received from related companies. The Bill would require that even where a consolidated profit and loss account is framed the holding company's own profit and loss account should be published.

The Bill follows the recommendations of the Millin Commission fairly closely except on the voting rights of shares—the Commission recommended that all shares should be endowed with equal voting rights but this recommendation the Minister has rejected—and on the obligation which the Bill would impose upon the private company incorporated under pre-Union laws to include the word "(proprietary)" in its name.

If the usual procedure is followed the Bill will be referred to a Select Committee and the final enactment can be expected by July, 1951. In that event the operative date of the Act would probably be January, 1, 1952.

Royal Commission on Taxation —Taking of Evidence

The Royal Commission announce that they are prepared to receive representations from organisations of individuals on any matter falling within the terms of reference, which were reproduced in our issue of January (page 2).

Representations should in the first place be in writing. The Commission will decide later from whom they wish to take oral evidence.

The Commission announce that they propose to consider in the first place the general structure of the present system of taxation of profits and income, its effects on the national economy, and any suggestions for alternative methods of raising revenue by taxes

on profits and income. They intend to begin taking oral evidence in the month of June under these heads. They therefore hope that the written evidence on these general issues will reach them as soon as possible and in no case later than May 15.

At a later stage the Commission will consider particular issues on income tax, sur-tax and profits tax. Written evidence on these taxes should be sent in by December 1, 1951.

Intending witnesses may confine themselves to one or more specific subjects within the terms of reference or may cover the whole subject in one or more memoranda. Evidence supplied to either of the two committees presided over by Mr. J. Millard Tucker will be available to the Commission and need not be repeated. Those who intend to submit memoranda are asked to inform the Commission as soon as possible, saying briefly what matters they propose to cover, and when they hope to be ready to submit their memoranda.

We understand that the Society of Incorporated Accountants proposes to submit evidence on both the general and the particular issues.

Further information may be obtained from E. R. Brookes, Secretary, Royal Commission on the Taxation of Profits and Income, Somerset House, London, W.C.2.

Estate Duty—Valuation of Depreciating Shares

In evidence before the Committee of Public Accounts (Session 1950), Sir Eric Bamford, chairman of the Board of Inland Revenue, referred to an unusual evaluation of shares for death duty.

The Finance Act, 1894, requires the value of property for estate duty to be the price which, in the opinion of the Commissioners of Inland Revenue, the property would fetch if sold in the open market at the time of the death of the deceased. The Finance Act, 1910, added a clause that no reduction is to be made on the assumption that the whole property is to be placed on the market at one and the same time.

Sir Eric regarded this as a clear warning that the quoted Stock Exchange price of securities would not be applicable as a death duty valuation in the case of a very large holding of shares. As the 1910 provision warned the

Commissioners off taking the very much lower value which would arise on a "bulk sale," they were advised that their course lay between the two extremes. The shares should be valued on the basis of being disposed of in such lots as a prudent executor would choose to sell, but valued as in the circumstances at the date of death.

Few cases of this nature have arisen. In the year under review (1948-49) there were rather more than usual. It is really only on shares in public companies that the question arises; rarely does the holding constitute such a large part of the shares that an adjustment must be made.

The practice has not been officially published, but is known to solicitors and accountants, and if not asked for it would, where appropriate, be suggested by the Revenue. The discretion would embarrass them if it came up in every case, but the discretion would not be improved by legislation. The possibility of substituting the amount realised on sale had been considered, but appeared to create more difficulties than it would solve. That there was at times real hardship was admitted, but by and large the system was the best in an imperfect world.

The case in point differed in treatment. Everything was "fantastically hard about it." A large part of the estate was a gift *inter vivos*, made some four years before death, which would have been completed earlier but for illness and was not finalised until after the date when the Finance Act, 1946, picked it up, but by a very short time. The parties apparently did not appreciate that the gift was caught and did nothing to deal with the position that the shares were falling very rapidly in value. Thus what happened was that a large gift of shares left the donee with a debt due to the Revenue.

The Revenue put the matter to the Government brokers, saying something quite unusual, in effect: "Please give us the ranges within which a settlement could be made; give us the maximum deduction which could possibly be justified giving the benefit of the doubt, if any, to the estate, and give us the minimum figure which would be proper if you were trying to work it out in the ordinary way without any of this addendum".

The brokers pointed out that while

price variations subsequent to death must be ruled out, nevertheless, having regard to all the factors, and that the weights assigned to them were largely matters of opinion, if it were desired to assess the realisable value biased to the advantage of the estate, a deduction of as much as 20 shillings might not unreasonably be produced, putting the minimum figure of equitable deduction at 15 shillings.

As the claimants asked for 25 shillings, the Revenue proposed to take 20 shillings as a figure any arbitrator would have chosen, and after some hesitation the Treasury agreed.

Sir Frank Tribe, the Comptroller and Auditor-General, criticised the action of the Revenue, not on the grounds of equity but on the grounds that the remission was really on the grounds of equity and not of law, and should therefore have been included as such a remission instead of as being covered by statutory provisions. Sir Eric replied to the effect that the Estate Duty Office had a great deal of experience in share valuation, and were "often able to settle at a higher figure than the brokers suggest." On this occasion they felt entitled to give something a little more to the advantage of the taxpayer.

Sir Eric concluded by saying that in the end they had to do something else which was "rather unprecedented." Not only did the gift leave the donee in debt to the Revenue, but the estate was also in difficulties because the duty had been paid out of a bank loan which was no longer adequately covered, being covered on shares which had heavily depreciated. It was finally agreed on grounds of hardship to make a substantial repayment of duty to the estate as an *ex gratia* concession (rather less than 5 per cent. of the total duty).

The précis given above is not of anything that can be regarded as a precedent; rather is it a warning to executors to "get a move on!"

Changes in Ministers and Ministries

In the January re-shuffle of Ministerial posts, Mr. Aneurin Bevan, previously Minister of Health, became Minister of Labour and National Service in the place of Mr. George Isaacs, who went to the Ministry of Pensions, and Mr. Hilary Marquand (formerly Minister of Pensions) became Minister of Health.

The Minister of Town and Country Planning, Mr. Hugh Dalton, was given the new title of Minister of Local Government and Planning.

Mr. Dalton's Ministry will take over the functions of the Ministry of Health other than the National Health Service and supervision of the health responsibilities of the local authorities. It will thus be responsible for housing and new towns; such services as water and sewerage; planning and control of land; the general oversight of local government; and financial responsibility to local authorities. The staffs of the two Departments will not have been reorganised before the end of the financial year and, until a further announcement has been made, communications should be addressed to the Ministries of Health and of Town and Country Planning as hitherto.

Transport Arbitration Tribunal

The following practice note has been issued by the Tribunal.

During an adjourned hearing before the President (C. Montgomery White, Esq., K.C.) on December 7, 1950, of an application for further and better particulars of an amended statement of facts and contentions of the applicant for compensation under Section 47 (3) of the Transport Act, 1947 (a transferor company of a road haulage undertaking compulsorily acquired by the British Transport Commission under the Act of 1947), the President stated that the Tribunal would be prepared to order:

(i) Particulars of any sum alleged to be the average net annual profit of the applicant, namely:

(a) the amount of the profit or loss appearing from the audited accounts of the applicant to have been made in the carrying on of the acquired undertaking in each of the last three financial years as defined in Schedule IX to the Transport Act, 1947;

(b) as regards each of such years, what deductions (if any) have been made in such accounts in respect of wear and tear and replacement of property held for the purposes of such undertaking;

(c) what adjustment (if any) it is contended or conceded by the applicant ought to be made in the amount of the profit or loss appearing in such audited accounts and any facts relied upon by the applicant as establishing that any such adjustment ought to be made.

(ii) Particulars of any facts relied upon by the applicant in support of its conten-

tion that the number by which its average net annual profit ought to be multiplied is five, other than such as may appear from a perusal of its audited accounts or from the facts pleaded in its statement of facts and contentions or from the particulars of its average net annual profits delivered under paragraph (i) above.

Approved Auditors of Friendly Societies

The Registrar of Friendly Societies will not in future send annual letters of appointment to Approved Auditors. Under the revised conditions recently published by the Registrar, these appointments are for an indefinite period, subject to three months' notice of termination. In future, therefore, they will cease only when notice is given by the Treasury or when the Approved Auditor himself gives notice that he wishes to relinquish the appointment.

The revised conditions give the new scale of fees for Approved Auditors. This scale was published in our issue of June, 1950 (page 182). It is now added that if the aggregate receipts and payments of a friendly society exceed £20,000, the fee is to be fixed by special arrangement with the society, and that the audit fee does not include travelling expenses or fee for additional work, outside the scope of the audit, undertaken by arrangement with the society.

Claim for New Lease—Time Limit

It has taken nearly a quarter of a century to resolve one of the ambiguities contained in the Landlord and Tenant Act, 1927. Where a new lease is being claimed in lieu of compensation for goodwill, the tenant is required to take two steps before any right which he enjoys can mature. Not only must he serve his landlord with notice of his claim within the prescribed period of time, but he must also commence proceedings for a new lease within the prescribed period. Hitherto, however, it has been doubtful whether the period of two months stated in Section 5 (2) of the Act, is to be calculated from the date of the service on the tenant of the notice to quit, or from the date of the service on the landlord of the tenant's notice of claim.

The Court of Appeal have now held

in the case of *Kerridge v. Lamdin* (according to a report in *The Times* of November 16) that the time will run from the date of the notice to quit and not from the date of the notice of claim. The decision also affirms the principle laid down by the earlier authorities that if the tenant is out of time with service of his notice of claim, or the commencement of the proceedings (where a new lease is claimed), his rights are irretrievably lost; for there is no power to extend the time.

A practice point is also to be learnt from this decision—that when the tenant is out of time, the landlord is entitled to have the tenant's proceedings dismissed without further ado. By these means undoubtedly a great saving of unnecessary costs can be effected. It is surely far better in such a case, to nip the tenant's action in the bud, before committing each party to the heavy expenditure which would be entailed by a hearing of the claim by the Court.

SHORTER NOTES

The Crittall Case

The Court of Criminal Appeal has dismissed the appeal of A. E. P. Hinds against his conviction under the Prevention of Fraud (Investments) Act, 1939. As reported in *ACCOUNTANCY* for September last (page 307), Hinds, the former managing director of *Richard Crittall and Co., Ltd.*, engineers, had been sentenced to three years imprisonment for having recklessly made a misleading forecast and misleading statements in a prospectus for a new issue. In the Appeal Court Lord Goddard said that Hinds was guilty of a disgraceful piece of "prospectus-mongering." It was difficult to imagine a more groundless and wilder mis-statement than that given about future profits in the prospectus.

Purchase Tax on Stationery

Office stationery will in future be chargeable to purchase tax, even when produced by firms whose turnover is less than £500 per annum or who print stationery for their own use. This is the effect of the Purchase Tax (No. 1) Order, 1951 (S.I. 1951 No. 60). All printers of stationery must now register and pay tax on the wholesale value of their output. As a working arrangement, however, those who print stationery solely for use in their own business will not be required to register if they buy all their

paper tax-paid and the total cost, including tax, is not more than £250 per annum.

Accountants' Offices in St. Marylebone

Premises in the Portland Place area of St. Marylebone, London, not suitable for conversion into flats for private residence, have been made available to professional men for occupation on a limited period basis for their practices, but the London County Council, the planning authority, did not include accountants in the list of professional practitioners permitted to occupy the premises.

We understand that the Council have now agreed that the list of professional practitioners should be extended to include accountants in general practice who are members of one of the bodies accepted by the Board of Trade for the purposes of Section 61 of the Companies Act, 1948, or of the Institute of Cost and Works Accountants. Incorporated Accountants are thus included.

New Companies in 1950

New companies registered in Great Britain during 1950 totalled 13,726. They had a nominal capital of £73.0 million. In 1949, the comparable figures were 14,290 companies, with nominal capital of £79.8 million.

Management Accounting Team— Meeting with Incorporated Accountants

Mr. Ian T. Morrow, G.A., F.C.W.A., the leader, and other members of the Management Accounting Team which recently visited the United States under the auspices of the Anglo-American Council on Productivity, addressed a meeting of Incorporated Accountants and students in London on January 18. Mr. A. Stuart Allen, F.S.A.A., the President of the Society, presided.

Among the subjects discussed were American methods of costing, financial accounting, purchasing and stock control, business statistics, sales, design and manufacture, and management.

We hope to publish a report of the meeting in our next issue.

War Damage Payments

A payment of £92 million last year brought the amount paid by the War Damage Commission up to £948 million. Since it started paying for war damage in 1941, the Commission has made about 4,140,000 payments. Contributions by property owners since the beginning of the war damage scheme total £198 million.

ACCOUNTANCY

FORMERLY THE INCORPORATED ACCOUNTANTS' JOURNAL ESTABLISHED 1889

The Annual Subscription to ACCOUNTANCY is 17s. 6d., which includes postage to all parts of the world. The price of a single copy is 1s. 6d., postage extra. All communications to be addressed to the Editor, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2.

The Cost of Labour Turnover

TWO COSTLY ACCOMPANIMENTS OF "FULL employment" often go unnoticed. One is disguised unemployment: workers are retained when and where there is not enough work for them to do, because the employer fears that if he lets them go he will not be able to reconstruct his labour force. This makes for lack of movement among workers, but it does not prevent the appearance—indeed, the growth—of the other drag upon industry, an excessive rate of labour turnover. There are occasions when there is only a choice between the two evils, disguised unemployment and a too rapid turnover of workers, though it is probable that both could be avoided much more frequently than they are. Even when it is feasible to choose between the two evils, the choice cannot be a rational one—rational from the viewpoint of the employer's profit and loss account, to say nothing of the wider social interest—unless much more is known than usually is known about the costs that the alternatives carry with them. Nor can a complete policy be framed for eradicating both these unfortunate characteristics of industry in "full employment" unless some idea can be gained of their financial burden. For how much effort can economically be devoted to the task?

It is certain, nevertheless, that this is a task which should receive much more attention than has been given to it. We cannot look behind the disguise to obtain even a very approximate estimate of the cost of disguised unemployment; the data are hidden in employers' records of labour variances and of inflated overhead charges per unit of output. But some information is to hand on the burden of labour turnover—and astonishing enough it is. In manufacturing industry, the average turnover in a year is between 30 per

cent. and 35 per cent. of the number of employed workers. For women alone, the turnover runs between 40 per cent. and 55 per cent. And the trend is upwards.

A sample inquiry made by the British Institute of Management at the beginning of last year analysed the reasons why workers leave their jobs. The figures are suggestive, but the categories of reasons are inexact. Little purpose is therefore served by trying to group the turnover into that which is "avoidable" in contrast with that which is "unavoidable." Yet examination of the figures does produce a salient conclusion: that, with effort and expenditure, much of the turnover could be avoided. The question then arises: "How much effort and expenditure and with what labour turnover avoided as a result?" Whereupon the further question poses itself: "What was that labour turnover costing and is the expense of avoiding it economically justified?"

Now surely questions such as these are ones which the industrial accountant should set out to answer. The answers are of very great significance, not only to the productive achievement of the country as a whole but also to the financial results of individual businesses. Yet, so far as we are aware, very little effort has been made to answer them. A praiseworthy exception is provided by a paper, entitled "The Cost of Labour Turnover," read recently by Mr. J. H. Furness, F.C.W.A., to the Regional Conference of the London and District Branch of the Institute of Cost and Works Accountants (obtainable from the Institute, price 2s. 6d. net). Mr. Furness did not seek answers to the questions we have formulated, but, in effect, he aimed at answering the more comprehensive and more tractable question:

"How much is now being spent (a) in preventing further labour turnover and (b) in suffering the present rate of turnover?" We would commend Mr. Furness's paper, for which the figures were taken from the actual records of four industrial companies, as a pioneer effort in an increasingly important field of industrial accounting, and we hope that many other companies will follow in the wake of the unnamed four. We cannot, to be sure, accept all the steps in Mr. Furness's argument and computation. For example, he attempts to group the causes of labour turnover into "avoidable" and "unavoidable"—as we have said, this seems to us to be a doubtful procedure. More important, he puts down, admittedly with some doubt, as a preventive cost of labour turnover—distinguishing preventive costs from replacement costs, such as those for training raw labour or tolerating its inefficiency—the whole of a pension scheme for hourly operatives. Yet in these days a pension scheme can surely not be regarded as *predominantly* a cost of preventing workers from leaving—if so, then the whole wage bill must, it seems to us, be put in the same category! Since the cost of the scheme, in Mr. Furness's computation, is one-half of the total of all the items of cost he enumerates, an error in classification, such as this seems to be, can throw the arithmetic badly awry. There are other points of a like nature—we would not ourselves say, as Mr. Furness does, that all a company's medical and welfare services and all its personnel administration are preventive costs of labour turnover. For reasons such as these, it seems to us that the final figure given in the paper for the total cost of labour turnover, £58 a year per employee at work, is seriously exaggerated. However, what precisely the figure should be is, at the moment, beside the main point. It is without doubt very large—if the figure were only a tenth of Mr. Furness's estimate, labour turnover would be costing the country some £140 million annually. If the paper helps to focus attention in the profession upon the high rate of labour turnover and to cause some accountants in industry to make an assessment of its cost to their companies, it will have done excellent service.

The Structure of Industrial Accounts*

By K. W. BEVAN, A.C.A.

I HAVE GIVEN THIS TALK THE TITLE OF "THE STRUCTURE OF Industrial Accounts." By that title I want to convey that I intend to talk to you about something deeper, more fundamental than any mere system or method of keeping accounts. It is not financial accounting, or cost accounting, or standard costing that I want to talk about, but the framework of the accounts, into which any system can fit. It is, as it were, the anatomy—the bare bones—of accountancy that I shall discuss, and in doing so I want to introduce the subject of "form" or "structure" in the sense that an artist might think of "form" in terms of his picture. It is not, I think, an aspect of our profession which has been given much consideration hitherto. We are a strictly practical profession; we consider our services to have a purely functional value, as indeed they have, and although I should not lay any great stress on an æsthetic appeal in the matter of accountancy, nevertheless, in my opinion, we miss something by not paying sufficient attention to the elegance of form and structure. True elegance is a manifestation of the perfect harmony of the parts—it is not an end in itself and is not to be sought for its own sake—but is the result of perfect harmony, and is therefore to be sought after for the sake of achieving that harmony. If one has the smallest streak of artistry in one's composition it is not difficult to believe that the whole is infinitely greater than the sum of its parts. It is my contention that we have been too much concerned in the past with the parts and have neglected the whole. We have had our noses too firmly pressed to our canvas. We should, I feel, gain considerably if, from time to time, we stepped back from our canvas and surveyed it as a whole, and it is that that I am asking you to do to-day. Having done so, we shall, I believe, find that our picture lacks cohesion; small corners of it may contain intricate and even beautiful detail, but the whole lacks a broad imaginative and comprehensive sweep. We may have achieved a collection of miniatures, but we have not yet achieved one comprehensive masterpiece of which the detail should form an integral part.

This is not anything to be wondered at, nor even at this stage to be regretted. It is, I believe, an inevitable stage in development, met with in all walks of life. It is a stage when all one's energy and effort are devoted to the business of growing and developing rather than "being," and it is only when the tempo of that stage slows down that we can turn our attention to "being." I have said that we meet this stage in all walks of life. We are all of us familiar with a similar stage in the development of any engineering device—a stage when the device looks more like a collection of assorted ironmongery than an article designed for service.

That is the stage which, I believe, accountancy is just approaching. The time has come when we should tidy up the assorted ironmongery of our profession, and we should pay some attention to the form and structure of our accountancy systems; each part should be placed on its functionally correct relationship to other parts, and to the whole, so that it becomes a compact and comprehensive structure. It may be argued that accountancy is by no means a new craft and that it acquired its form and structure many years ago. It is no part of this talk to trace the historical development of accountancy, but to emphasise my point may I remind you that accountancy was devised and introduced in relation to commerce—the buying and selling of goods—and that it is the size and complexity of modern *manufacturing* industry which has made demands on accountancy which it was never designed to withstand? Since the days of the Industrial Revolution, and particularly within the last thirty or forty years, our profession has responded to these demands, and has developed techniques and methods to meet them, undreamt of by earlier exponents of the craft from Paciolo to Cropper. Although, therefore, our craft is by no means a new one, circumstances have caused it to enter into a new phase of development. In the last thirty or forty years we have been developing at a rapid rate. I believe that the tempo of that development is now beginning to slow down, and that now is the time to consider our craft as a whole, to take account of "form" and "structure" now that we are more assured of our technique. And if I ask you to consider the possibility of achieving "elegance" in accountancy, it is not elegance as an end in itself, but elegance as the hallmark of an inner harmony of all the parts.

When we come to consider the form or structure which our accounts should take—and by the word "accounts" I mean in this instance the whole accountancy system and records and not just the annual published accounts—we are first of all confronted with an enormous mass of detail, a mass which is by no means apparent to persons who are not accountants. Indeed one might say that the accountant uses all his skill to prevent them being aware of that enormous mass, for the essence of his craft is to summarise and collate information so that it can be easily assimilated without unnecessary detail. It is perhaps salutary to remember that behind the annual published accounts of any company there lie hundreds of thousands, possibly millions, of individual transactions, which have been sorted, collated, analysed, summarised, re-summarised, and summarised again many times over until there finally emerges from that immense pile of information the distilled essence of all that is contained therein—the balance sheet and profit and loss account. Nor is the annual balance sheet and profit

* A paper given at the Incorporated Accountants' Course, Balliol College, Oxford, on September 16, 1950.

and loss account the only information produced by that mountain of information. Were it so the mountain would indeed have laboured to bring forth a "ridiculous mouse." At all times and at all stages the accounts department produces information in varying degrees of summarisation. The wider the field of responsibility of the person to whom the accounts department reports, the greater is the degree of summarisation that is necessary—the smaller the field of responsibility the greater the detail which can be supported. It is as though the accountant plunges his hand into that mountain of information to produce a summary with the degree of compression appropriate to every person to whom he makes his reports.

If we are to consider form and structure for this vast mass of detail we must, therefore, consider each one of those degrees of summarisation as having its own rightful place within that structure; not as something which is done *ad hoc* as and when required, but as something which is there, ready to hand, whenever it is wanted. From a severely practical point of view it seems to me to be important that each degree of summarisation should be a logical step, or link in a chain, at the end of which is the ultimate degree of summarisation, the annual published accounts. Each level of managerial responsibility should receive a statement which is a summary of the statements presented to the next lower level of responsibility. One of the most common causes of criticism is that figures submitted to one level of management do not "tie up" or tell the same story as figures presented to another level; this arises, in my opinion, not through any reprehensible accountancy errors, but through failure to co-ordinate all the information supplied by and through the accounts department. It is, in other words, caused through lack of a proper and regular structure.

In addition to such managerial reports there are many other documents and statements produced by the accounts department, such as accounts for submission to the Inland Revenue, or cost statements, and it is my contention that each and every one of these should have its rightful and logical place in the structure of the accounts. It is not sufficient that these should be produced *ad hoc* and "reconciled" with the accounts—they should be an integral part of the accounts structure. It should not be inferred from this that all the documents ever wanted from the accounts department should be churned out automatically and that no information which it has not been arranged for the accounts department to churn out can be produced. Far from it; the structure of the accounts should be so arranged that if a certain statement is required which has not previously been required there is some stage in the structure of the accounts where that information is available without re-analysis of basic information.

Perhaps I can convey my meaning best by another analogy. Given the inevitability of a large amount of detail, we can visualise that detail as a vast mass, like the Alps, with dizzy peaks and pinnacles, with deep valleys between, in which it is not possible to travel from one peak to another without first returning to a valley. Or we can see it, as I prefer to see it myself, as a regular and uniform pyramid. At the base of that pyramid are the hundreds of thousands of transactions giving rise to entries in the books

of account. Each succeeding stage of the pyramid is a compression or summarisation of the stage which preceded it, until we reach the apex of the pyramid, the ultimate degree of summarisation, the annual accounts presented to the shareholders. The various stages must be so arranged that all the information which it is necessary for the accounts department to supply can be obtained at one or other of those stages. It has no pinnacles or little pyramids sprouting out of its sides; the whole thing is regular and uniform in shape, and it is locked into place by the impregnable mechanism of double-entry principles.

May I digress for a moment to deal with the subject of double-entry principles? In our profession double-entry is almost the first thing we learn—it is our A B C—and so familiar do we become with it that few of us ever stop to consider it, and many of us perhaps achieve the familiarity which breeds contempt. We dismiss it, perhaps, as a mere arithmetical trick, useful on occasions, but of no very great importance. We are deceived by its utter simplicity. When I first read Goethe's remark that book-keeping was among "the fairest inventions of the human mind" I was inclined to think that it was a gross exaggeration. Now with increasing age—which you may attribute to increasing wisdom or senility according to your fancy—I am of the opinion that Goethe's statement was no less than true.

There are times, I suppose, when all of us in this profession find the restrictions placed on us by the limitations of double-entry principles somewhat irksome. In the same way an artist may find himself hampered by the limitations of his own medium, but if he is a good artist he will learn to co-operate with his medium instead of struggling against it, and in that very co-operation will find fresh sources of inspiration. In the same way the limitations of double-entry book-keeping become not only a challenge but a veritable source of inspiration. It is a form of discipline, and absence of discipline in matters of accountancy means chaos and inaccuracy. In these days the word "discipline" has an outmoded and Victorian flavour about it, but our reaction to it should be against arbitrary imposition of discipline, not against discipline itself, and we should accept the necessity for a self-imposed discipline. We should endeavour to achieve the strength of character to impose a strict discipline on ourselves, and in so doing the measure of our acceptance of that discipline in matters of accountancy may to a very large extent be a source of inspiration.

There is a rightness and a completeness about double-entry which almost defies description because of its utter simplicity. It gives a comfortable feeling of security, like putting sheep into a sheep-pen. Once you have got your sheep into that sheep-pen they are safely under your control, but once let them out of that pen and there is no knowing what will become of them. I therefore advocate bringing everything inside the framework of double-entry at the earliest possible moment. There are many things which we deliberately leave outside the double-entry, things like stocks, miscellaneous stores, and miscellaneous debtors and creditors, but it is my opinion that there is very considerable advantage in bringing such things within the double-entry framework and within the structure of the accounts at the very earliest possible moment. I have a friend, a well-known economist, who has dissected and analysed

book-keeping principles—and double-entry principles in particular—to discover what, if anything, they all amount to. In doing so he has managed to convince himself that there is nothing in it—nothing more than that if you put the same figures down twice on opposite sides of a page the two sides must agree. This is *reductio ad absurdum* with a vengeance; there is all the difference in the world between, say, a watch properly assembled and going, and all the parts of the watch neatly spread out on a table. If one possesses that appallingly analytical mind that likes to break things down instead of building them up, it is not difficult to come to the conclusion that that collection of parts has little or no significance, and that they amount to no more than a few pieces of metal with saw-cuts in them. But those parts assembled demonstrate that, as I have said earlier, the whole is immeasurably greater than the sum of its parts. So it is with double-entry book-keeping, and although my economist friend, and others, may dismiss it as a simple arithmetical trick, it remains, in my opinion—and apparently in Goethe's opinion, too—a remarkable achievement and a technique of immense practical value.

If you accept this idea of a pyramidal structure of the accounts, in which every stage is a step in an orderly progression, you will find; I think, a change in emphasis in the matter of drafting the accounts. At the present time the emphasis is usually all on the end of the year, when the annual accounts are actually drafted. This is traditionally and supremely the accountant's "big moment," the moment to which all his energies have been directed, and the annual accounts themselves represent the culmination of his labours. This is probably a legacy from his auditing days, when he was called upon to draft a statement of accounts from a set of books which he had not had the responsibility of keeping himself, and it was at that moment that the accounts themselves began to take shape under his hands from what might not unfairly be called an amorphous set of books. But so soon as the accountant who drafts the accounts is given responsibility for keeping the actual books from which his accounts will be drafted, his work of drafting begins much earlier. It begins with any and every entry which is made in those books. He is, or should be, conscious of the effect which every entry will have on his final accounts, and he will so arrange those original entries that finally they will appear in exactly the right place in his final accounts. So that not only is the emphasis on drafting changed from the end to the beginning, but the actual drafting becomes a matter of routine, the almost automatic result of starting entries off in the right direction. And what has been said about the annual accounts is also true of any other statement which the accounts department may be called upon to produce.

This change in emphasis is perhaps one of the most important lessons that the industrial accountant has to learn when he changes from the practising side of the profession to industrial life. Instead of being in at the end, he is now in at the beginning, and his responsibility is to see that things start off right so that they can end up right. When he starts an entry off in the books of account, he is, or should be, conscious of the whole route that that entry will take through the structure of the accounts; he not only makes the original entry, he plans its whole future passage

right up to the moment when it appears as a small part of hundreds or thousands of other entries in the final published accounts. It is at that stage that the industrial accountant starts thinking about the structure of his own system of accounts. It must be remembered that in any medium or large industrial concern there are many more statements of account produced than the chief accountant can possibly draft himself. Were that not so, he could possibly collect and synthesise *ad hoc* so as to produce the statements in the form in which they can be most readily assimilated—though with obvious dangers of omission—and in such a case "structure" is of less importance; broad classifications are sufficient to indicate where to look for the information which he may be called upon to produce. But when he is no longer able to make all his own collations and syntheses, he must so arrange his structure that all the classifications which he can possibly want are ready to hand at one or other of the stages which I have already mentioned. This has obvious advantages in time, if no other, in the preparation of statements for whatever purpose.

If I may just recapitulate and emphasise my point, it is that the industrial accountant must be concerned with the "beginning" in order to produce the "end" in a very much greater degree than the practising accountant is able to be. He must be concerned with the "structure" of his accounts so that he can be certain that once having started an entry off in a certain direction it will continue on a predetermined route until it reaches its final resting-place, and he must so arrange his structure that it is capable of producing at appropriate stages all the information which he is likely to be called upon to produce. It means that for every entry made in the books of account—and I suggest that every record should be a part of the books of account—the accountant must know precisely and exactly how that entry is going to appear in every single statement he produces right up to the final published accounts, and including the more detailed statement of accounts presented to the Inspector of Taxes. I suggest that every alteration or transfer that is made on the annual accounts is for him a confession of failure. It is a confession that he failed to see that that transaction when it took place would have had the effect that it did have. He must foresee every single schedule that he is likely to produce in support of his annual accounts, and how every item will appear in it, and he must have a very clear picture of what it is that he is going to produce.

It follows from this that the primary analysis is by far the most important, for it is on the primary analysis that the whole future route of any and every transaction is decided. Just what that primary analysis is to be must depend to a great extent upon the nature and needs of individual businesses, but there are, I think, certain principles which can be distinguished which apply to most businesses.

But before I proceed with this may I expand slightly my original analogy of a pyramid? There should be in fact two pyramids, not one, corresponding to the two entries of double-entry book-keeping. The one deals with capital, the other with revenue, or, if you like, with the balance sheet on the one hand and the profit and loss account on the other. These two pyramids though of course complementary to each other are quite independent.

In dealing with the revenue side there are in my experience two schools of thought. There is the one which thinks that what I may call the "control" aspect of primary analysis is the most important. And there is the other which considers the submission of accounts to the Inland Revenue to be the most important aspect of primary analysis. Both schools of thought recognise that the analysis that is produced for the one aspect is not suitable for the other; each, however, arranges its analysis for what it considers to be the more important purpose—and re-analyses, in some shape or form, for the other purpose. Those who keep their books of account with their attention focused on the Inspector of Taxes analyse their expenditure under the more or less traditional heads of account, showing the relationships of the business with the outside world. They are, for example, more concerned with the fact that wages have been paid than with ascertaining whether those wages have been advantageously expended; that "control" aspect is something which they leave to an entirely separate and subsidiary analysis which probably comes under the heading of cost accounting in their nomenclature. These cost accounts are probably reconciled with the financial accounts, but they are a completely independent "structure" on their own and not part of the main structure. On the other hand, those who consider the "control" aspect to be the more important achieve a statement possibly admirable for revealing departmental and individual responsibility, but which is far from satisfactory from the point of view of the Inspector of Taxes. While I admit that two entirely different statements are necessary for those two purposes, it is my contention that one primary analysis can achieve both purposes. If this is to be achieved, in my opinion the primary analysis must be a "two-way analysis"—by expense heads within cost-collecting centres or departments. That is to say, instead of having an account in a ledger for, say, salaries, there would be separate accounts for Department A salaries, Department B salaries and so on. From the "control" aspect there must be sufficient departments (or cost-collecting centres), so that every item of revenue expenditure can be charged in the first instance direct to the department or person responsible for incurring it. Furthermore, I suggest that the expense headings should cater for the requirements of the Inspector of Taxes as well as for "control" purposes. It is then necessary so to arrange the structure of the accounts that summarisation can take place both ways, both by departments and also by expense heads. For control purposes there will have to be inter-departmental transfers for services rendered by one department to another; these must eliminate themselves in an expense head summary.

At this point it is necessary to introduce the subject of method; for if the analysis, which I am suggesting is desirable, is conceived in terms of orthodox ledger accounts, the sheer volume of work involved makes such a method of analysis impracticable. The industrial accountant is therefore frequently faced with the absolute necessity of discovering more economical methods of carrying out certain jobs. This is not because he prefers unorthodox or "fancy" ways of performing his task but because he would not be able to perform it at all unless he forsook the orthodox ways.

It is not my intention in this talk to discuss methods of achieving this analysis, but merely to point out that some method other than orthodox ledger posting must be devised. For without some such method the production of this analysis may become altogether too cumbersome and expensive for practical purposes. In my opinion, it is frequently the reluctance to depart from orthodox methods which prevents these wider and important analyses being undertaken.

Similarly, in connection with the pyramid relating to the capital side of the accounts structure, a detailed and intricate analysis is necessary which may call for new methods of recording if it is to be done at all, and done economically. One has only to recollect the detailed analysis which may be necessary in connection with fixed assets, to realise that to have available for immediate reference all the information which is likely to be required by management is likely to be a task of considerable magnitude. There is the task of collecting together all the expenditure connected with the acquisition of a new asset, which in modern industry is rarely, if ever, one single item of expenditure. There is its transfer to the asset account on completion. There is its individual entry in a fixed asset register. There is the recording of all its subsequent movements and history. This alone in a modern industrial concern creates a problem of considerable magnitude.

I have said that it is the accountant's job to see that entries in his books of account start off right in order that they may end up in the right place in all or any of the statements which he may be called upon to produce. This is not such a formidable task as might at first sight appear, since probably 95 per cent. of transactions will need to follow a normal pattern; it is the remaining 5 per cent. of abnormal items which the accountant needs to watch most carefully. The 95 per cent. of normal items can be taken care of through a code of accounts, a document which not only allocates code numbers to account headings, but is also a description of the complete structure of his accounts and instructions for routing the 95 per cent. of normal items. In the case of the 5 per cent. of abnormal items, it is events that the accountant must watch rather than the actual entries coming through his books. If the accountant is in close touch with events in his company he will recognise that certain of them—the opening of a new factory, to quote a very obvious one—will give rise to certain items of expenditure which will require to be treated in a special way. It is at the stage of his knowledge of awareness of the event that he should consider the implications of that event on his statement of account; he should consider how he wishes that event to appear in all his accounting statements—his profit and loss account, balance sheet, accounts for the Inspector of Taxes, monthly operating statements—and should issue instructions to his staff accordingly.

Thus I return to the need for a well-defined structure of the accounts, a structure that has been viewed by standing back from the canvas to gain a comprehensive glance. That structure must be, in my opinion, all-embracing and regular in shape, and if there is to be harmony between all its parts, there will be a recognisable elegance in its form.

Points in Practice

ALTERATIONS AD LIB

Change is inevitable. In a progressive country change is constant.—BENJAMIN DISRAELI.

IT FREQUENTLY HAPPENS THAT OWING to altered conditions or even amended legislation, the constitution of a company requires revision. It is the purpose of these Notes to review the various sections of the Companies Act, 1948, permitting and governing such alterations.

Amendments to the Memorandum

Probably the most important alterations are to the memorandum, and in turn, the most important section of the memorandum that is revised is the objects clause.

Section 5 of the Companies Act, 1948, governs an alteration of this kind. All that is now required to effect a change in the objects clause is a special resolution. The sanction of the Court is not necessary unless the shareholders, members or debenture holders who are entitled to object to this alteration do so.

Such an application for the alteration to be cancelled can be made by :

- (a) holders of at least an aggregate of 15 per cent. in nominal value of the issued share capital of the company of a class thereof.
- (b) not less than 15 per cent. of the members of the company if the company has no share capital.
- (c) holders of not less than 15 per cent. of the company's debentures entitling the holders to object to alteration of its objects.

No one who has consented to or voted in favour of the alteration may apply for the cancellation.

Section 5 also sets out the extent to which the objects may be altered and it should be noted how sub-Section 5 (1) provides for the extension or restriction of the objects—but always subject to the retention of the *main* object. The Section is rather lengthy, and it is not proposed to detail the contents here,

but merely to remind the reader to study the Section carefully before embarking on any adventurous scheme which changes the nature of the business of a company !

Other alterations to the memorandum may include : increasing the members' liability (Section 22), making the directors' liability unlimited (Section 203) and changing the name of the company (Section 18). It is to be remarked, however, that Section 4 of the Act expressly states that "a company may not alter the conditions contained in its memorandum except in the cases, in the mode and to the extent for which express provision is made in this Act."

Amendments to the Articles

The change next in order of importance after one to the memorandum is probably a change to the articles. Section 10 of the Act, covering a change of this kind is crisply short. Only a special resolution is required. The Section makes no mention of an application to the court. But this is mentioned in Section 210 when the remedies open to a minority in the case of apparent oppression are set out. Sub-Section 210 (3) deals with the limitation of the powers of a company to make any further alterations to the memorandum or articles inconsistent with the provisions of an order of the Court already made under this Section.

Alterations of the Capital

The most generous provisions for an amendment—and possibly those most frequently invoked—govern the alteration of the capital of a company. On this, Sections 61, 62 and 63 are the important ones. The first of these sets forth such an imposing and tantalising array of possible alterations that the most conservative board of directors might well be tempted to "have a go" on the slightest provocation. Briefly,

the share capital of a company may be increased, or the shares consolidated, divided, converted, sub-divided, redeemed or cancelled. Even a last-minute change of mind is anticipated, for permission is given for a stock re-conversion. The difference in the time allowed for giving notice to the Registrar of Companies should be noted. If the share capital is being increased (whether or not the shares are converted into stock) the time allowed is **fifteen** days, whereas for any other of the more exotic alterations mentioned the requisite time for giving notice is one month.

Amendments to Shareholders' Rights

The variation of shareholders' rights is governed by Section 72. This empowers a company whose share capital is divided into different classes of shares to vary their respective rights, provided the memorandum or articles of association contain a provision authorising the variation of the rights attached to any class of shares. Section 72 also protects the rights of dissentients to the amendment : they may, if they hold in total not less than 15 per cent. of the issued shares of the class affected, apply to the Court to have the variation cancelled. If they do apply, the variation does not have effect unless and until it is confirmed by the Court.

A "Prosperity Sharing Scheme"

An incentive scheme with this attractive title has been begun by *Tate and Lyle, Ltd.* A "prosperity fund" is fed by £5 for every 100 tons of raw sugar melted in excess of an agreed minimum and by £7 10s. for every £100 of profit earned in excess of an agreed minimum. The definition of profit is interesting : it is the total of net additions to revenue reserves plus the gross dividend on the Ordinary stock. This definition was chosen because the figure can be clearly seen by all interested parties in a published document. Employees with more than a year's service share quarterly in the fund, boys and girls under 18 receiving half the share of a man over 21, women over 18 two-thirds of his share and men between 18 and 21 two-thirds. The workers—who agreed upon the scheme through their trade union as an alternative to their claim for a straight increase in hourly wages—are represented with the company on a committee administering the scheme. The committee is supplied with audited statements of the position of the fund. The company will supply further details of the scheme to any reader who applies for them.

The Study of Balance Sheets

By W. T. BAXTER

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I. THE SHAPE OF THE BALANCE SHEET

Recent Improvements

IF THIS ARTICLE HAD BEEN WRITTEN between the world wars there would have been no doubt about its content and tenor. Most accountants of that time felt at least a little unhappy about our published statements. For instance, the man who had to lecture on style in balance sheets usually began by deploring their lack of style. He would probably illustrate his argument with an imaginary set of figures, arranged as in the normal published balance sheet of the period, i.e., with little attention to order and still less to grouping or completeness. Pointing to this indigestible jumble, he could show how limited were its uses, and how many pencil jottings the reader would have to make in order to see the company's position even in outline. Then he would shuffle the figures into what he regarded as good style; and the company's situation would, hey presto! suddenly emerge from the fog.

Though the general standard was very poor until the late 'thirties, there were some noteworthy exceptions. A number of companies were already—without any legal compulsion—pioneering in better ways. Their example received much praise; conceivably, indeed, it would have been followed voluntarily even if the law had not stepped in. Be this as it may, the Companies Act of 1948 re-enforced the example of the pioneers, and made obligatory what had hitherto been an act of virtue.

So to-day we take it for granted that a balance sheet should be well arranged in groups, with the individual items marshalled in a helpful order; we also expect candour and full disclosure.

Perhaps, indeed, the swing has gone to the other extreme, and the reader may now be confused by the excessive details that the law demands. Perhaps, too, the completeness and rigidity prescribed by the Eighth Schedule, while admirable for dealing with the laggards, may act as a strait-jacket and cramp further experiment by pioneers.

It may make my later argument clearer if I give simple specimen figures (omitting much of the detail that would be desirable and, indeed, compulsory in practice). I accordingly attach an outline balance sheet—Example I. This seems to me to be in a form that is fairly typical of present-day published balance sheets.

Future Developments

Does the vast improvement of recent years mean that there is now no scope for further steps?

In general, I think we may say that the needs of the technical reader (e.g., the financial editor or the accountant on the staff of an investment trust) are tolerably well satisfied already. No doubt further detail is needed—and badly needed—in some directions (e.g., there is still no compulsion to state the bases on which stock is valued or depreciation allowed—often vital matters). No doubt, too, we shall continue to argue about the precise form in which certain items should be presented (e.g., whether the credit for a remote income tax liability should be classed as a long-term liability or a reserve). Further, the revenue picture can hardly be regarded as complete yet; some accountants (including me) can see no very good reason why figures for sales, etc., should not be shown in

British (as in many American) accounts.¹ A more extreme view is that the full tax computation should be published, since this gives, in respect of many items of expense and revenue, alternative figures; these figures may be less "right" than those of the company, but have the merit of being drafted by an independent person who follows fairly objective and well-known rules. However, important though such issues are they are small compared with the victory that has already been won.

My suggestion is that the needs of the non-specialist (the shareholder who knows little of finance and nothing of double-entry) are more clamant. These needs might well be our guides in discussing further developments; we should think of the ignorant shareholder as our employer, or as the customer who is always right. How can the main features of the company's progress be shown to such innocents with maximum clarity? Are we who have grown familiar with an existing pattern of accounts, and with the intricate apparatus of debit and credit, perhaps apt to ignore our customer's needs and to overlook obvious means for helping him? What follows is largely concerned with the task of making our figures more suitable for the layman.

What Should a Balance Sheet Show?

When we ask what the job of a balance sheet is, we probably all agree that it is to give as good a picture as possible of

¹ Incidentally, the precise definition of turnover is a matter of some difficulty. For instance, what is the "turnover" of a travel agency—ticket sales or commission?

the firm's property and finances. For instance, we want to know how big the firm is and whether it owns machinery or shops or mineral seams. This basic work is already done fairly well, so far as the figures go, but a short verbal statement on the nature of the company would often be a useful addition to published reports (which sometimes neglect to give any inkling of the trade carried on).

Before considering how the figures can best be presented, it may be helpful to ask how balance sheets got their present form. They almost certainly began as mere trial balances, i.e., as the book-keeper's private proofs of accuracy. When they came to be employed for external purposes such as testing credit and informing absentee owners, much the same form was still used. With time, less crude and stilted arrangements have been adopted, but our present model still shows its descent very clearly. Only recently have we begun to wonder whether this form is not archaic—a lingering trace of servility to the trial balance—and to ask ourselves whether we need reflect in any way the double-entry structure of the ledger. Might not our two-sided balance sheet be replaced with advantage by a "report form" of account?

To decide how our figures should be arrayed, we must know what our aims are. We want to focus attention on the more important aspects of the firm's finances. Two approaches seem possible:

(1) We may feel that the man who consults a balance sheet is more likely to be concerned with the intricacies of the share-capital and reserves than with anything else, and that accordingly they should come first. Such would seem to be the general opinion of British accountants; at least, the overwhelming majority of our balance sheets begin by giving this group the place of honour at the top left-hand corner.

(2) We may instead decide that what readers are most likely to look at—particularly if they are the non-specialists—is the liquid position of the company. Nobody can deny that this is important in many contexts. Further, such things as cash and debts are understood by everyone, and so form a good jumping-off place for the timid reader. Many American reports begin with the liquid assets—and American companies have

been far more progressive than others in making their reports palatable to the general public.

On the whole, I am inclined to think that this second view is the better one, and that it should at least guide us in our experiments. As will be seen from my later remarks, this treatment also seems to fit in well with some other ideas about the best way to explain the nature of a company's finance.

Certain other *desiderata* may be taken for granted, and I shall not mention them in any detail. Plainly, the balance sheet should look attractive. Whenever such a device leads to simplicity, complicated sets of figures should be put into appendices. The layout should make for easy comparison with the results of earlier years. Perhaps, too, the layout should let us show consolidated figures for the group on the same page as the holding company's figures; but I am not sure that this arrangement may not seem too complex.

The Two-sided Balance Sheet

If we feel friendly towards the criteria that I have just suggested, but are not yet convinced of the need to jettison such an old and faithful servant as the two-sided balance sheet, what mild changes in its form might we consider?

To stress the liquid position more, we might make the connection between current assets and current liabilities closer by deducting the latter on the assets side, bringing out a figure for net working capital. This is already done by many British companies.

Again, we might reverse the vertical order of the items, so that the assets begin with cash and other current items (i.e., familiar and important things which the laymen would like to see first), the order of the liabilities being reversed to match. This is the layout favoured by *Aspro, Ltd.*,—and, of course, by innumerable non-incorporated firms.

Finally, we might well consider switching the sides round, bringing the assets to the place of honour on the left. I think that this arrangement would on the whole appear more logical to the non-accountant, though it seems to make the British accountant's hackles rise; in this matter, as with the "rule

of the road," all countries are out of step except Britain.

Need for Clearer Wording

Such changes in design might help the unsophisticated shareholder to understand what has happened to his money. But we could also give him help in another important way—by paying more attention to the *wording* of our statements. At present, our wording is over-technical and is often out of line with normal speech. If we want to get our meaning across, we may have to scrap our recondite expressions and substitute ones that are well understood. This would probably mean shorter words but far more of them.

I have redrafted Example I in a form that may illustrate my suggestions (Example II). The wording is a fairly close copy of that used in explanatory supplements to the accounts of *Jantzen (Australia)*. Though we may feel that some of the phrases are unfortunate (e.g., "what we were worth" might give rise to some queer ideas), this company's experiment seems a courageous attempt to help its shareholders.

The One-sided Balance Sheet

If we once admit that our present balance sheet calls for improvement, we must face the question of whether we should not be wiser to go the whole hog and abandon the two-sided statement in favour of the report form—i.e., a single-sided document with suitable narrative.

Such an arrangement gives a welcome elasticity. In particular, it leaves more room for columns in which to show previous years' results, consolidated figures, etc. But it has the demerit of not showing all the liabilities in a compact list; for some purposes, such a list is handy for comparing with the gross assets.

While most accountants will probably not share my predilection for a balance sheet in report form, they must admit that this style is gaining favour for appropriation accounts. In such accounts, small groups of debits and credits may with advantage be set off against one another (so that we can see, e.g., profit before tax, profit after tax, and so on). The two-sided account is

Example I.

OUTLINE OF BALANCE SHEET
in present conventional form.

| | £ | £ | £ | | £ | £ | £ |
|--------------------------------------|--------------|-------|----------------|--------------------------|--------------|---|----------------|
| <i>Share-capital, reserves, etc.</i> | | | | <i>Fixed assets :</i> | | | |
| Capital | | | | Premises | 3,500 | | |
| Ordinary shares | 3,000 | | | Motor vehicles | 3,000 | | |
| 5 per cent. Preference shares | 2,000 | | | Less Depreciation | 1,500 | | |
| | | | | | <u>1,500</u> | | |
| | | 5,000 | | | | | 5,000 |
| Capital reserve | | 500 | | <i>Current assets :</i> | | | |
| Revenue reserves : | | | | Stock | 2,500 | | |
| General reserve | 1,000 | | | Debtors | 2,200 | | |
| Profit carried forward ... | 500 | | | Cash | 1,100 | | |
| | <u>1,500</u> | | | | <u>5,800</u> | | |
| | | | 7,000 | | | | |
| <i>Long-term liabilities :</i> | | | | | | | |
| Debentures | | | 2,000 | | | | |
| <i>Current liabilities :</i> | | | | | | | |
| Creditors | | | 1,800 | | | | |
| | | | <u>£10,800</u> | | | | <u>£10,800</u> |

Example II.

OUTLINE OF BALANCE SHEET
with full narrative, and with assets on left.

EXPLANATORY BALANCE SHEET

listing what we owned, what we owed, and what we were worth at the close of our financial year, 19—.

| ASSETS—What we owned. | | LIABILITIES—What we owed. | |
|--|----------------|---|----------------|
| | £ | | £ |
| <i>Cash :</i> | | <i>Trade creditors :</i> | |
| This amount is the total of cash, stamps, and bank balances | 1,100 | Amounts we owed for the purchase of merchandise, supplies and services | 1,800 |
| <i>Debtors :</i> | | <i>Debentures :</i> | |
| Total owed us by our customers for merchandise, less estimated amounts which we may not be able to collect | 2,200 | This is the amount borrowed, at 5 per cent. interest, from creditors, to whom we gave a bond over our premises as security | 2,000 |
| <i>Stocks :</i> | | | <u>3,800</u> |
| This is the value of the merchandise on hand | 2,500 | SHAREHOLDERS' FUNDS—What we were worth. | |
| <i>Motor vehicles—depreciated cost :</i> | | <i>Capital, Reserves and Surplus :</i> | |
| This is the amount we paid for motor vehicles (£3,000) less an estimated allowance (£1,500) for loss in value because they were gradually wearing out | 1,500 | This represents the investment in the business by 238 shareholders | 7,000 |
| <i>Premises :</i> | | | |
| This is what we paid for land and buildings ... | 3,500 | | |
| | <u>£10,800</u> | | <u>£10,800</u> |

far too clumsy for this purpose. Example III gives a good example of a well-worded revenue and appropriation statement in one-sided form; it is taken (slightly shortened) from the report of the *Industrial and Commercial Finance Corporation*. The example is interesting in a second way—the statement appears as an integral part of the directors' report, no other profit and loss account being published. Is this a good plan? I think so. To give figures twice is surely untidy; also, on meeting the figures for the second time the layman may well scratch his head and ask: "Is this the same sum that I ploughed through on page one, put in again for fun, or is it new stuff?"

If we vote for the report style, I suggest that our specimen figures might be arranged somewhat as in Example IV.

Appendices

I have already said that appendices are a useful means for getting clumsy detail out of the balance sheet. Needless to say, however, they can be used to show any other material that is likely to interest shareholders. In particular, the main figures from the revenue account and balance sheets of a number of years may be given with great advantage; a ten-year summary is likely to cover the whole of a trade cycle. Some American companies also give the profit and dividends *per share*, the more important percentages and ratios (e.g., profit as a percentage of sales), and even the high and low stock exchange quotations for the shares. At least one British company does this sort of thing admirably—I recommend a study of the statements of *Harding, Tilton, and Hartley, Ltd.*

The Test of Success

Supposing that we accept, as our ideal, the need for helping the average shareholder to understand our figures, and that we make some of these experiments. How are we to know whether our experiments are a success? How are we to decide which method is best?

Adequate tests would be expensive. I suppose professional diviners of public opinion would be willing to conduct a poll on the subject. But to be convincing, a test would have to be on an almost impossible scale. We should

Example III.

REVENUE ACCOUNT IN NARRATIVE FORM (Included in Directors' Report) Report of the Directors

The Directors submit their report for the year to March 31, 1950, together with the audited Balance Sheet at that date and the following Statement of Profit and Loss.

| Previous Period | Year to March 31, 1950 |
|--|------------------------|
| | £ £ |
| Interest and dividends on advances and investments (gross) less Interest on loan capital amount to ... | 536,161 |
| To which has to be added other income (including net profits on sales of investments) amounting to | 128,053 |
| | <hr/> 664,214 |
| There fall to be deducted : | |
| Administration expenses | 106,025 |
| Provision for audit fee | 630 |
| Directors' remuneration : | |
| Fees | £ 4,000 |
| Salary | 2,500 |
| | <hr/> 6,500 |
| Depreciation of furniture and equipment and amortization of expenditure on alterations to leased premises | 429 |
| | <hr/> 113,584 |
| Amount set aside for doubtful advances and investments | 190,000 |
| | <hr/> 303,584 |
| So that the profit for the year before taxation is ... | 360,630 |
| The estimated charge for income tax, based on the profit for the year after giving effect to relief —£36,566—in respect of losses of earlier years, is | 126,226 |
| | <hr/> 234,404 |
| Leaving a net profit for the year of | 234,404 |
| The accumulated deficiency brought forward from the previous period has to be deducted | 53,585 |
| | <hr/> 180,819 |
| Leaving a balance to the credit of profit and loss account of | 180,819 |
| The directors have decided to make a transfer to reserve for contingencies of | 100,000 |
| | <hr/> 80,819 |
| So that there is a surplus on the profit and loss account to be carried forward of | £80,819 |

(Rest of Directors' Report follows)

have to take a fairly large sample of persons who know nothing of finance. We should split them up into groups and give one form of balance sheet to each group. After a suitable time for digesting the figures, each person would sit an examination on the financial state of the company. The group that won the highest marks could be presumed to

have received the best form of balance sheet.

As such tests are out of the question, accountants are in a real difficulty. With diffidence, I suggest that the view of teachers should carry some weight, for teachers know—all too well—how perplexing the balance sheet seems to beginners. And we must gather what

we can from the opinions of the Press, and of such shareholders as may volunteer their views; this is not very satisfactory, however, because the man who does not understand is usually shy about showing his ignorance, and he is the man whom we should plan to aid.

II. THE OWNERS' BALANCES

The Problem of Capital, etc.

To my mind, the section in our balance sheets that is most hard to explain is that containing the owners' balances, i.e., capital, reserves, profits and so forth.

Let us start with the balance sheet of a small trader. It will look something like this:

| | | | | |
|-----------|-----|----------|---------------|----------|
| Creditors | ... | 2 | Sundry assets | 9 |
| Capital | ... | 7 | | |
| | | <u>9</u> | | <u>9</u> |

Now, why is it arranged just so? For no better reason than because such an arrangement echoes the ledger balances. If the trader had never heard of a ledger he would most likely have put down the data thus:

| | | |
|---------------------------|-----|----------|
| Sundry assets | ... | 9 |
| Less Creditors | ... | 2 |
| | | <u>7</u> |
| Net assets, i.e., capital | | <u>7</u> |

This is short, direct and free from confusing repetitions. The figure 7 is shown in its simplest guise—as the (net) total of the other items. From the viewpoint of the owner, 7 is the answer to the whole sum, not a step in the calculation. A book-keeper must unhappily in his ledger treat the 7 as an item in its own right, because he needs such a counterweight to balance his books; but to show it as a separate item in balance sheets is to drag in complication needlessly. Much ingenuity has been expended on explaining to students why capital is like a liability; a rather more truthful plan is to say that it is nothing of the kind (in the owner's eyes, at least) and that its appearance on one side of a balance sheet is just a quaint survival of early practice. Or am I overstating my case?

Example IV.

OUTLINE OF BALANCE SHEET in single-sided or report form

THE COMPANY'S ASSETS ARE:

| | £ | £ |
|---|-------|---------------|
| 1. <i>Current assets</i> | | |
| Cash | 1,100 | |
| Debtors | 2,200 | |
| Stock | 2,500 | |
| | | <u>5,800</u> |
| 2. <i>Less Current liabilities</i> | | |
| Trade creditors | | 1,800 |
| | | <u>4,000</u> |
| 3. <i>Net current assets or "working capital"</i> | | |
| 4. <i>Fixed assets</i> | | |
| Motor vehicles | 3,000 | |
| Less Depreciation | 1,500 | |
| | | <u>1,500</u> |
| Premises | 3,500 | |
| | | <u>5,000</u> |
| 5. <i>Total assets less current liabilities</i> | | 9,000 |
| 6. <i>Less Long-term liabilities</i> | | |
| Debentures | | 2,000 |
| | | <u>£7,000</u> |
| 7. <i>Net assets</i> | | |

THE ABOVE NET ASSETS HAVE BEEN PROVIDED BY THE SHAREHOLDERS THUS:

| | | |
|--|--------------|---------------|
| 8. <i>Ordinary shareholders</i> | | |
| Original capital of 3,000 ordinary shares | 3,000 | |
| Premium on issue of these shares | 500 | |
| Trade profits: | £ | |
| Portion to be retained in business indefinitely | 1,000 | |
| Portion not yet appropriated | 500 | |
| | <u>1,500</u> | |
| 9. <i>Ordinary shareholders' interest (the "equity")</i> | | 5,000 |
| 10. <i>Preference shareholders</i> | | |
| Original capital of 2,000 5 per cent. shares | 2,000 | |
| | | <u>£7,000</u> |

No great harm may be done where the small trader is concerned. The capital section of his balance sheet can remain simple; each year, profits (less drawings) are merged with opening capital. But company law makes the position much worse. A company's "capital" may be changed only if great formalities are observed, and therefore growth in true capital—in the form of profits, etc.—must not be merged with the figure for share-capital. The quantity corresponding to the sole trader's 7 gets elaborated into

a series of items—share-capital, various reserves, profits, and so on—sometimes not even put next to one another in the balance sheet. A lay reader may well be pardoned if he is confused—if, for instance, he supposes that a reserve betokens the existence of wealth over and above what is shown among the assets (a common mistake among not unintelligent people).

This is not to suggest that our re-analysis of the owners' wealth serves no useful end. In other fields, a double analysis of data is often helpful; thus

the trucks in a railway yard might be classified twice—by

- (1) physical type—e.g., size ; and
- (2) their place of origin (i.e., the station that may be able to claim them back).

In the same way, we analyse the given net asset figure *first* by asset type and *second* by source (and here, too, the source may, in the eyes of the law, affect the destination). The point I am striving to make, then, is not that we should scrap the analysis but that we should make clearer what it is we are doing—namely, examining the same wealth from different points of view. Whatever the faults of Example IV, it does at least grapple with the problem.

Descriptions of the Group

How are published statements trying to meet the difficulty of describing the ownership group? Some of the headings are :

Shareholders' Capital, Reserves and Profits.

Net Worth. This otherwise convenient Americanism conveys a suggestion of revaluation, which is most unfortunate.

Ownership Evidenced by :

Sources of Net Assets :

Members' Funds. Perhaps "funds" may be ambiguous, (cf. "reserve fund").

Lever Bros. start their balance sheet with :

Capital Employed. The share capital, etc., follows. Next comes :

Employment of Capital. The various assets are then listed.

This is bold, but perhaps over-subtle.

Who are Owners?

We have seen that if we list the gross assets of a firm and then strip off the claims of "outsiders," we are left with the answer that interests the owner, i.e., the total of his wealth in the business.² But, you will object, a company may have many types and grades of "owners." What are the tests that we

² Of course, the size of the total depends on the method of valuing the assets. Whether the balance-sheet method is "right" is a big question demanding separate treatment ; but we should be well-advised to avoid expressions like "net worth," "what we were worth," etc.

should apply to candidates for admission to the ownership group—e.g., why do we put debentures under some other head, such as "long-term liabilities"?

From the standpoint of economic analysis, all persons who are represented by a credit balance can be regarded as contributors of capital in the sense that all of them—trade creditors, debentureholders and shareholders, etc.—make up the structure by which finances are mobilised for business. However, for many purposes we can distinguish at least an outer and an inner group, using the following tests :

(1) *Permanence.* The temporary trade creditor is much less likely to be interested in our balance-sheet analysis than the man whose claims have been "funded" into some more permanent form.

(2) *Control.* Particularly in the eyes of lawyers, the main test is that of control, as expressed by the right to attend meetings and to vote. By this criterion, preference shareholders are owners, whereas the holders of debentures, and of the "notes" that have recently become so important (for reasons not unconnected with the rules of profits tax), are mere creditors. Yet it sometimes happens that preference shares carry no votes. Again—particularly if the company gets into difficulties—the holders of debentures may be given control ; thus debentureholders took over many cotton companies during the depression. This test is accordingly not so significant as appears at first sight.

(3) *Deferability of Claim.* A man's place in the queue for benefits (annual interest, and ultimate repayment of capital) gives a better clue to his degree of ownership. A creditor's interest *must* be paid each year ; the preference dividend may be withheld. At winding up, creditors rank before shareholders. However, the preference shares probably rank before the ordinaries and also may be redeemable ; so the position of the preference shareholder is again not free from ambiguity. The ordinary shareholder is normally at the end of the queue—i.e., his is the "residuary claim."

(4) *Fixed-money-claims versus equities.*³

³ "Equity" has unfortunately several meanings, but that of residual claims (in contrast to fixed-money-claims) is now widely recognised.

A Stock Exchange security is essentially a set of promises—of yearly payments and a final return of capital. Creditors insist on promises that are defined in terms of so much money. But the ultimate owner cannot promise himself a fixed sum of money ; the uncertainties of life make the surplus unpredictable, so the last man in the queue merely gets what is left over, be it large or small. An ordinary share's rights must be defined as a promise to pay, not so many £s, but an arithmetical proportion of whatever number of £s may be available.⁴ Ordinary dividends and quotations are thus apt to be mercurial and to jig up and down in tune with the company's fortunes. On the other hand, ordinary shares may have stability in real terms when the value of the £ is changing. The inflation has underlined the enormous difference between "fixed-money-rights" and "equities." For instance, companies financed by fixed-money-claims have since 1939 in effect carried a shrinking burden, and their fortunate ordinary shareholders have become correspondingly richer (though our balance sheets give no inkling of this change, unless the assets have been revalued). True, the quotations for such equities have appreciated less than might be expected, for two reasons : the first is dividend limitation and the second is our failure to charge replacement cost provisions, with a consequent rise in tax to a point at which many equities are subject to a yearly capital levy.

To-day the distinction between fixed-money-claims and equities is often, I venture to say, immensely more important than any other test that can be applied in a balance sheet.

Perhaps the four criteria given above are, at bottom, only aspects of the same test—the amount of risk borne. The man who risks his wealth most deeply will normally insist on having the final say in management, and on getting accounts that photograph the enterprise from his standpoint. However, there are innumerable degrees of risk-bearing ; and many schemes of ownership, which at first sight seem surprising, may work

⁴ It follows that a *pro rata* issue of bonus ordinary shares to all ordinary shareholders cannot affect their rights in the slightest ; the fraction of the total belonging to each shareholder is unaffected.

quite well. Thus the surplus of a consumer's co-operative goes not to the capitalist but the customer; and a nationalised industry has no residual owners, unless you and I count as such.

The Unity of Ordinary Capital and Reserves

Ordinary capital, reserves and profits constitute a unity, whatever statutes may say. The true capital of the ordinary shareholders is thus an elastic figure, rising as reserves and profits accumulate. Its total should be shown plainly.

Our logic suggests that we should put reserves, etc.—not preference shares—next to ordinary shares in the balance sheet. Instead of:

| | |
|-------------------|----|
| Ordinary shares | £— |
| Preference shares | — |
| | — |
| | £— |
| Reserves, etc. | — |
| we should have: | |
| Ordinary shares | £— |
| Reserves, etc. | — |
| | — |
| | £— |
| Preference shares | — |

The case for this rearrangement would be weakened where preference shares participate in either profits or surplus on winding up.

The splitting of true capital is unfortunate in many ways. For instance, when a student of book-keeping is working on holding companies, the separation of the subsidiary's capital from reserves and profits gives him needless trouble. In most cases, the rule is simple: you add together the three items (as at the date of acquisition) and so find the true capital that must be set off against the cost of the investment—the difference being the so-called "goodwill" (if a debit) or "capital reserve" (if a credit).

Again, the directors of companies with large reserves find it hard to explain to critics—perhaps among their workpeople or in Parliament—that a dividend of, say, 40 per cent. on share capital may be only a small yield on true capital. If we always treated share capital, reserves and profits as an indivisible trinity, the explanations

would be a lot simpler. "Big Business" is usually credited by its foes with great skill at bluffing the public; here it has, in fact, failed to do itself bare justice.

The cause of all these troubles is the nominal (or par) values with which we endow our securities. What is the meaning of "nominal value" and what good purpose does it serve?

The Unimportance of "Nominal Values"

A security that has £1 printed on its certificate may be issued at 21s. (i.e., at a premium of 1s.), be redeemable at 22s. and be currently quoted on the Stock Exchange at 35s. £1 is not its issue price, or its redemption figure, or its market value. Why, then, should we use the "£1" at all?

When label and contents are at such odds, many people are likely to be deluded. They may be confused when buying shares; "it was thought that the engraving of \$100 upon a share of stock oftentimes led the investor to pay, if not the full \$100, at least a larger sum than he would have paid if freed from the hypnotic effect of the \$100 emblazoned upon the certificate."⁶

Again, the holder of shares may be lulled into a false sense of security when his investment is sinking in value, or he may fail to recognise its true worth when it appreciates. The longer the time since the original issue, the greater is the extent to which market value may diverge from par. True, with fixed-money-securities the divergence tends to be slow and slight (though dramatic moves are not unknown); the chief factors making for price changes are rates of interest in general (e.g., a rise in these depresses prices), and the level of the particular company's earnings (which can pull the price to below the normal figure for shares in other companies of the same type, but not raise it much above). Equities are far more sensitive, at least to the latter of these factors, and their prices go up and down freely; the link with nominal value is here excessively elastic.

Anyone who has tried to explain this matter to, shall we say, an old lady who owns some shares, will know how extraordinarily hard it is to do so. I feel certain that very large numbers of

simple people attach a wholly false significance to the printed symbol, and are thereby sorely handicapped in their investment policies.

You may object that nominal value has at least one use from the shareholders' standpoint—it enables the dividend to be stated quickly as, e.g., a dividend of 5 per cent. But the directors might declare a dividend of 1s. per share equally well—indeed, even more conveniently; the *amount* and the current *yield* are of far more importance than a percentage based on par, which can at most have historical interest.

The Share of No-Par Value

There seems to me to be an extremely strong case for the share of no-par value. Most American States permit the issue of such shares and, after a good many teething troubles, the practice now appears to work satisfactorily. A layman, if his shares were not called "£1 shares" but "shares of no-par value," would appreciate far better than at present the nature of his wealth. "A purchaser of such stock, because of the fact that it carries no designated par value, is at once put on notice to investigate the values back of it."⁷

Why, then, does our Parliament not countenance the share of no-par value? The main argument against it is that some minimum value per share ought to be paid to the company when shares are issued, and maintained permanently, to safeguard creditors.

⁶ Roy B. Kester: *Principles of Accounting* (New York), p. 352.

⁷ The Cohen Committee sets out the case for shares of no-par value extremely well; but it concludes a little lamely: "While there is, in our view, much logic in the arguments put forward in favour of shares of no par value, there is little public demand for, and considerable opposition to, the proposal. We have also had some evidence that in practice this class of share has given an opportunity to the unscrupulous to manipulate accounts which could be defeated only by a series of elaborate provisions the substantial effect of which would be to reintroduce a capital account and, with it, most of those same complications which the no-par value share was designed to avoid. Nor would the proposal bring any of the other major subjects of our enquiry nearer to solution. We therefore refrain from recommending any change in this matter." *Report of the Committee on Company Law Amendment*, Cmd. 6659, p. 12.

⁸ Henry Rand Hatfield: *Accounting: Its Principles and Problems*, p. 189

But surely this difficulty could be got over with carefully-drafted rules, based on American experience? Shares of no-par value, like other shares, are issued in return for a consideration. This can be made subject to a legal minimum; also it can be credited to a special account—as can any premiums on later issues—and then treated as non-distributable. In the event of no-par preference shares being issued, their rights to annual dividends and final repayment on winding-up could surely be stated without undue difficulty (see, e.g., the rules governing the *Mexican Eagle* issue). Protection of creditors need not depend on the befogging of shareholders.

One of the few British advocates of no-par shares was the late Lord Melchett.⁸ He proposed that, as industrial plant has often little or no value in uses other than those for which it is designed, industrial companies ought to issue no-par shares up to the amount of their fixed assets. For my own part, I should prefer the test to be the legal rights of the shares, etc. If the shares are not to be redeemed within a short period, and at a figure near to par, the use of par is at best rather pointless and at worst a cruel snare.

Reserves

The layman must surely find that "reserves" are the most treacherous feature in a balance sheet. There seem to be powerful arguments for altering both wording and practice.

To explain reserves to a layman, one would have to trace the steps by which they came into existence. Perhaps the explanation might go somewhat as follows:

Suppose a company's balance sheet runs:

| | | | | | | | |
|---------|----|--------|-------|-------|----|--------|-------|
| Capital | .. | £ | 1,200 | Plant | .. | £ | 1,150 |
| Profit | .. | | 200 | Cash | .. | | 250 |
| | | £1,400 | | | | £1,400 | |

Legally, £200 of cash may be paid as dividend. But the board does not want to distribute so much, as new plant costing £175 would be a good invest-

ment. In other words, the board wishes to plough back £175 of profit and so expand the permanent "capital" by that sum.

Accordingly, by way of a polite indication to the shareholders of this plan, the directors recommend that £175 be "put to reserve." The accountant makes a journal entry:

| | | | |
|-----------------------|-------|------|----------|
| Appropriation account | ..dr. | £175 | |
| Reserve | .. | | cr. £175 |

The appropriation account appears:

| | | | | | |
|---|----|------|-----|--|------|
| Transfer to reserve | .. | £ | 175 | Profit brought down from Profit and Loss Account | 200 |
| Balance of unappropriated profits carried forward | .. | | 25 | | |
| | | £200 | | | £200 |

The balance sheet will now run:

| | | | | | | | |
|---------|----|--------|-------|-------|----|--------|-------|
| Capital | .. | £ | 1,200 | Plant | .. | £ | 1,150 |
| Reserve | .. | | 175 | Cash | .. | | 250 |
| Profit | .. | | 25 | | | | |
| | | £1,400 | | | | £1,400 | |

If the shareholders take this hint, and at their general meeting confirm the directors' recommendations and accept a meagre dividend, the new plant can be bought. Suppose that, in fact, they decide to conserve cash by paying no dividend at all. Then, when the £175 has been spent, the balance sheet will run:

| | | | | | | | |
|---------------|----|--------|-------|----------|-------|--------|----|
| Capital | .. | £ | 1,200 | Plant: | | £ | |
| Reserve | .. | | 175 | Original | 1,150 | | |
| Profit & Loss | | | 25 | New | 175 | | |
| | | | | Cash | .. | | 75 |
| | | £1,400 | | | | £1,400 | |

"Reserve" thus tends to mean that certain profits are not available for dividend, in the meantime at least. The word helps to make balance sheets look impressive, for it vaguely suggests strength and stability—which doubtless explains why it has come to be preferred to "surplus" or "rest." ("Rest" is the pleasantly unexpected word still used by the Bank of England and one or two other old institutions.)

We must ask ourselves whether this procedure really indicates what is happening. What does the man-in-the-street mean when he talks about a "reserve" in everyday speech? (I set an examination question in which I posed this question. One candidate answered that "company reserve" conveyed the idea of "shyness or an unwillingness to talk and mix with others."). In the layman's ordinary usage, the word probably suggests an excess of assets over normal or immediate needs—e.g., he may refer to his spare can of petrol as his "reserve of petrol," and his daily paper tells him of munition reserves, dollar reserves and gold reserves. He will therefore tend to look for a company's reserve among its assets, and especially its liquid assets. He has ample justification for doing so. Even persons who are well skilled in accounts use the phrase in this sense; thus, when bankers append a "ratio of reserves to liabilities" to their balance sheets, they mean the ratio of the quick assets to deposits.

But, in the language of accounts, "reserve" indicates something much more abstract—the line of our re-analysis that shows how much of the total is probably not destined for distribution. Emphatically, the word does not guarantee the existence of liquid assets; the savings may be ploughed back into fixed assets as in the above example.

(To be concluded)

Malden Reports

The first report of a public company is an event in which hundreds of shareholders will take a keen interest.

The accountant can assist the board towards a public presentation of the figures that will not lack clarity. But to serve the shareholders he will sometimes need to step beyond his brief. The broader function will devolve on him particularly if the company is new or is one whose initial period of trading as a public concern covers a broken period. Here the accountant must aim at showing an annual profit figure that is comparable with those given in the prospectus or published particulars. By itself a profit figure for a broken period may be quite meaningless—especially if the company's trade is seasonal—but this defect can be remedied if sufficient information is provided in the directors' report. And is there any objection to including comparative balance sheet figures? After all, they will have appeared in the advertised particulars.

⁸ His plea is reprinted in *Studies in Accounting* (Edited by W. T. Baxter).

Notes on Part VIII of the 1945 Act

CAPITAL ALLOWANCES

IT IS NOT TO BE WONDERED AT THAT ACCOUNTANTS, surrounded by the many Acts that have been passed in recent years, like other people, cannot master them all ! But it is still true that a little knowledge may be inadequate !

It is evident from questions that are raised that many people have not read Part VIII of the Income Tax Act, 1945, yet this " Miscellaneous and General " portion of the Act contains much that is essential to understanding and applying the Act. It is proposed to summarise and comment upon the main provisions (ignoring mines, etc.), excluding the " anti-avoidance " Section 59, which usually receives sufficient attention.

It starts with Section 55, which provides that any claim for an allowance under any of the provisions of the Act in charging profits or gains of a business must be included in the annual return of profits, and the allowance is to be made in charging those profits. The rules on carrying forward allowances for wear and tear are to apply (including losses ousted by wear and tear, which can be carried forward under Section 19, Finance Act, 1932, where applicable).

No little importance attaches to this Section since :

- (1) No allowance can be given unless claimed.
- (2) Therefore a taxpayer may miss a year, or may claim initial allowances without annual allowances, or annual allowances without initial allowances.
- (3) Allowances to a trader are to be given in the assessment of the trading profits.

Similarly, any balancing charge which is to be made in charging the profits of the business is to be made by an assessment on the profits in addition to any other assessment for the year in question.

The above provisions apply equally to professions, employments, vocations and offices.

ALLOWANCES BY REPAYMENT

By concession, allowances for wear and tear can usually be added to a loss for the purposes of a loss claim under Section 34, Income Tax Act, 1918, to the extent that they have not been used already and not exceeding the allowances for the year of assessment in question.

Certain allowances, however, are to be given by way of discharge or repayment of tax. These include :

- (1) Industrial buildings allowances to persons whose interest is subject to a lease. The allowances are available primarily against the Schedule A assessment on industrial buildings and excess rents assessments thereon, and against balancing charges (Case VI) on the sale of industrial buildings.
- (2) Capital allowances for wear and tear due to a lessor of machinery. These are available primarily against income from the letting.

- (3) Allowances for agricultural maintenance. These are available primarily against agricultural incomes, i.e., (a) the Schedule A income, plus (b) excess rents from the property, plus (c) farming profits.
- (4) Allowances in respect of capital expenditure on agricultural or forestry land, houses, etc. ; these are also available primarily against agricultural and forestry income.
- (5) Allowances in respect of patents other than those due to traders. These allowances are confined by Section 42 (2) to income from patents ; the word " primarily " is omitted.

Section 56 steps into the picture here, and provides that where an allowance falls to be made to a person by way of discharge on repayment of tax, and is to be available, or available primarily, against a specified class of income, any excess is to be carried forward against similar income till worked off.

But where the allowance is available primarily against income of a specified class, the allowances in excess of such income for any year may (by notice in writing to the Inspector of Taxes within one year after the end of the year of assessment) be claimed as a deduction from any other income of the year, repayment being made where necessary. To the extent that it is so allowed against other income, it cannot be carried forward. Allowance against other income therefore applies to (1), (2), (3) and (4) above, but not to (5), where carry-forward only is provided.

Section 56 also applies any allowances to sur-tax in the same year as for income tax. Any objection to claims under the Section (except (3) and (4) above) may be made to either General or Special Commissioners ; those under (3) and (4) to the General Commissioners only.

BASIS PERIODS

Section 57 deals with basis periods. These have been the subject of comment in these columns recently.

APPORTIONMENTS

We now come to the case where there is an " all-in " sale of property.

Section 58 provides that all property sold in pursuance of one bargain is to be deemed to be sold together, notwithstanding that separate prices are or purport to be agreed for separate items, or there are or purport to be separate sales of separate items. There is to be a " just apportionment " of the net proceeds of sale to each property for the purposes of the 1945 Act. The same principles apply to other sale, insurance, salvage or compensation moneys.

The Section applies equally to an exchange of property and the surrender of a leasehold interest for valuable consideration. The " just apportionment " is a matter for the

Special Commissioners where all the parties so agree, otherwise for General Commissioners having jurisdiction in relation to all parties or if several bodies of General Commissioners are concerned, for such of them as the Commissioners of Inland Revenue decide; in any case not covered above, for the Special Commissioners.

SUCCESSIONS

Where a person succeeds to a business and, by virtue of Rule 11 of Cases I and II of Schedule D, the business is assessed as discontinued, any property which, without being sold, continues to be used in the business is to be regarded as sold at its market value by the "old" to the "new" business, but no initial allowance is to be granted (Section 60).

In the case of a partnership, so long as it is not regarded as discontinued as a result of Rule 11, allowances and charges are to be computed despite changes in the partners (Section 60).

TRADE MARKS OR DESIGNS

Any fees paid or expenses incurred in obtaining, for the purposes of a business, the registration of a design or trade mark or the extension of the period of copyright in a design or the renewal of registration of a trade mark, are to be allowed in computing the profits of that business (Section 62).

CAPITAL EXPENDITURE

This term does not include any expenditure allowed as a deduction in computing profits of a business or earnings of an employment. The term "capital sum" does not include any receipt that falls to be brought into account as a profit or earnings. Nor does either include a sum from which income tax is deductible on payment (except a capital sum for patent rights).

Expenditure is deemed to be incurred on the date the sums in question become due (Section 64).

SUBSIDIES

A person is not deemed to have incurred expenditure for any of the purposes of the Act to the extent that it has been (or is to be) met directly or indirectly by the Crown, or by a Government, public or local authority (whether in the United Kingdom or elsewhere), or by any other person than himself. This does not apply in considering what (if any) balancing charge arises in respect of machinery or plant provided before April 6, 1946.

Moreover, insurance moneys or other compensation for an asset destroyed, demolished or put out of use, are not regarded as contributions; the gross cost of replacements is treated as expenditure ranking for allowances.

In the case of a contribution made to the taxpayer's expenditure by another person (other than the Crown or a Government, public or local authority), the contribution is ignored unless it is made by the contributor for the purpose of his own business or for that of a tenant of land in which he has an interest. (In these cases the contributor is entitled to allowances.) (Section 66.)

Any contribution by the Crown or other persons to the cost of maintenance, etc., of a taxpayer's property, incurred after April 5, 1946, is to be left out of maintenance claims (Section 67).

MISCELLANEOUS

Section 65 gives the interpretation of certain references to various allowances, e.g., exceptional depreciation; mills, factories, etc.; Section 68 gives other interpretations, of which we should notice particularly:

Any reference in the Act to a building, structure, machinery, plant, works, asset, farmhouse, farm or forestry building, cottage or fence is to be construed as including a reference to a part thereof (unless the reference is expressly to the whole of a building or structure).

Any reference to the time of a sale means the time of completion or the time when possession is given, whichever is earlier.

Reference to the setting up or permanent discontinuance of a trade includes, except where the contrary is expressly provided, reference to any event treated as such under Rule 11 of Cases I and II. (It will be remembered that there is express provision to the contrary in Section 17, dealing with balancing allowances and charges on machinery and plant.)

Taxation Notes

Double Taxation Agreement with France

Under the recent double taxation convention with France, which is to take effect for the fiscal year 1950-51, certain classes of income derived from one country by a resident of the other country are (subject to conditions) to be exempt from tax in the former country. These classes are shipping and air transport profits, certain trading profits not arising through a "permanent establishment," patent and copyright royalties, pensions other than Government pensions, purchased annuities and earnings of temporary business visitors. Government salaries and pensions are normally to be taxed by the paying Government only. Remuneration of visiting professors and teachers is to be exempt in the country visited.

The Convention further provides that the rate of French tax on distributions by a United Kingdom company from profits earned through a "permanent establishment" in France shall not exceed 10 per cent. Similarly, the rate of French tax on dividends received by a United Kingdom company from a French company in which it holds shares representing at least 50 per cent. of the capital is not to exceed 10 per cent. Individuals resident in the United Kingdom are to be exempt from French progressive sur-tax on dividends and other income received from France. Dividends and interest received by French residents from United Kingdom companies are to be exempt from United Kingdom sur-tax.

Residents of France will be entitled to the same personal allowances as British subjects resident abroad and corresponding arrangements are extended by France to British residents. Where income continues to be taxable in both countries, relief from double taxation is to be given by the country of the taxpayer's residence by reference to the tax payable in the country of origin of the income.

The Order is the Double Taxation Relief (Taxes on Income) (France) Order, 1951, contained in a Draft Statutory Instrument published in January.

Private Companies and Estate Duty

We had pleasure in publishing in our January issue (page 28) an interesting letter from Mr. Percy G. Stembridge, F.S.A.A., of Birmingham, on the subject of Estate Duty payable on the death of a majority shareholder in a private company. Other correspondence on this subject had appeared in our issue of December, 1950 (pages 446/47).

Mr. Stembridge said that he was the executor of a deceased client who had held practically 90 per cent. of the fully paid shares of a private company. In the valuation of the shares under Section 55 of the Finance Act, 1940, Mr. Stembridge had claimed that if the fixed assets were valued higher than the written-down value, the Profits Tax and income tax which would arise on the sale of the fixed assets at such valuation should be treated as a liability of the company. He was also claiming that the non-distribution relief in respect of Profits Tax since January 1, 1947, should also be treated as a liability in valuing the shares.

He added that he saw no reason why in the case quoted a dividend should not be voted to cover the Estate Duty. The beneficiaries would be able to avoid liability to sur-tax under Section 34 of the Finance Act, 1927, so far as the dividend related to the deceased's shares, and the other shareholders could have their sur-tax liability evened out over the years the profits were earned.

If liquidation took place, continued Mr. Stembridge, there would be Profits Tax up to the amount that relief had been given in excess of the 10 per cent. rate from January 1, 1947, but this could surely be claimed as a deduction.

If, said Mr. Stembridge, steps were taken in accordance with the third suggestion put forward in our Editorial Note on page 447 of the issue of December, 1950—that nomination policies might be taken out for wife and children, policies that would not be aggregated—a direction under Section 21 of the 1922 Finance Act would almost certainly arise.

We have a number of comments upon our correspondent's letter.

It has been decided in *Re Duffy, Lakeman v. Attorney-General* (1949, Ch. 28), that Schedule D income tax for a year commencing on April 6 following

a death cannot be allowed as a deduction under Sections 50 (1) and 55 (2), Finance Act, 1940. The notional balancing charge our correspondent has in mind could not affect notional current liability unless the company ceased trading. Since balancing charges are charged to Profits Tax by reference to the proportionate parts of the income tax figures appropriate to the accounting period, the same principle seems to apply. We fear that Mr. Stembridge will find the going hard.

The declaration of dividends after death for periods prior thereto may be practicable. The "timing" is important, as it is only the portion of dividends apportionable to capital as having accrued prior to death that belongs to the estate. Back-dated dividends could be suspect for the purposes of Section 21, Finance Act, 1922, as not made in a reasonable time. For Section 34, Finance Act, 1927, it is not the period of profit earning that counts but the periods for which dividends are declared. Rightly or wrongly, the Revenue seem to be extending the decisions in *Gollin v. C.I.R.* (two cases—25 T.C. 161 and 27 T.C. 6) with unfortunate results for taxpayers.

We hope our correspondent will report progress.

Are the Revenue Short of Staff?

Note the dates of the following letters! Revenue's letter — 20th November, 1950

With reference to your letter of the 29th November, 1949, I am directed by the Special Commissioners to say that they propose that the sur-tax assessment for the year 1948/49 made upon your client in the sum of £— should be discharged and they would be glad to know whether you agree.

In view of the provisions of Section 51, Finance Act, 1949, your agreement to this proposal will have the same effect as if the appeal had been formally determined in the agreed terms by the Appeal Commissioners.

Accountants' reply—22nd November, 1950

We thank you for your letter of the 20th instant and agree your proposals contained therein.

Revenue's letter — 15th December, 1950.

I am directed by the Special Commissioners to thank you for your letter of the 22nd November, 1950, and to say that they note your agreement to the proposed discharge of the 1948/49 sur-tax assessment, which has the effect of settling the appeal.

Farm Valuations

The Board of Inland Revenue have modified their views regarding ingoing valuation fees, with the result that fees in respect of the valuation of stock animals and tenant-right are admitted as revenue expenditure even if they are part of the expenses of valuation when the farm is bought. Expenditure on valuation of fixed assets, including stock in respect of which the herd basis is adopted, is still regarded as capital. The change in the official view is welcomed and is a direct result of the comments of the first Tucker Committee at its hearings.

Clergyman's Tax

The income of a clergyman from his office may comprise:

Grants from the Ecclesiastical Commissioners and from the Governors of Queen Anne's Bounty.

Pew rents and surplice fees.

Easter offerings.

Glebe and vicarage (Schedule A, and if the glebe is not let, Schedule B).

Interest on 3 per cent. Government Guaranteed Stock issued as compensation for extinguishment of tithe rent charges.

Dividends forming part of the stipend.

Deductions are allowed for expenses incurred wholly, exclusively and necessarily in the performance of the duties of the office. Common items are:

Expenses of attending meetings which are part of the parochial duties or enjoined by ecclesiastical superiors.

Expenses of visiting the congregation.

Cost of communion elements if paid out of the stipend.

Stationery, postage and telephone to the extent used for the office.

Part cost of servants, cleaning, lighting and heating.

Repair and replacement of robes.

Capital allowances and running expenses of a motor car to the extent used for professional purposes. (In some cases a horse is still used, in which case its keep is allowable to the extent so used.)

Payments to curates and lay workers whose services are necessary to the religious work of the parish.

Queen Anne's Bounty management expenses.

Cost of *locum tenens* or pulpit supply during sickness and holidays (but not of an assistant to do duties that ought to be done personally unless there are other calls on the incumbent's time).

Fees on presentation.

Repairs to chancel (unless recoverable).

Pensions to retired incumbents.

A sum not exceeding one-fourth of the rent paid (or of gross annual value if in beneficial occupation) of the residence for the room(s) used as a study, etc.

It is also well to remember that if a clergyman occupies a house rent free by virtue of his office in such circumstances that the annual value does not fall to be regarded as his income, he may claim (by notice not later than September 30 in any year) that the annual value (less any annual payment in respect of it) shall be treated as his earned income. Tithe stock interest and dividends forming part of the stipend are also "earned."

Farmers and P.A.Y.E.

Peculiar circumstances give rise to modifications of rules, even in income tax administration. Such modifications are more general with farmers' P.A.Y.E. deductions than they are in most other parts of the tax field.

The usual rule applies that a casual or part-time worker must have a tax-deduction card where the pay exceeds £3 a week (£1 a week if the employee is known to have other employment). In practice, however, no deduction need be made where:

- the period of engagement is less than a week and the total earnings with the farmer do not exceed £3;
- the worker is a local woman, boy, girl or old-age pensioner and the average earnings do not amount to £3 a week;
- the worker is a "holiday harvester."

In other cases it is important to decide who is the employer. Where the farmer obtains workers from the Agricultural Executive Committee, the Armed Forces, etc., or contracts with a contractor or gangmaster for a job, e.g., threshing, ploughing, haulage, harvesting, etc.; milkers who contract to milk for so much a cow; rat or rabbit catchers who sell their services from farm to farm; the farmer is not the employer and is not, therefore, responsible for collection of tax under P.A.Y.E.

Double Taxation on Air Transport—Greece

The United Kingdom and Greek Governments have concluded a reciprocal agreement for the relief of double taxation of profits derived from the business of air transport. The agreement, which applies to Cyprus as it applies to the United Kingdom, has been published as a schedule to a Draft Order in Council.

Double Taxation Relief

An example of bilateral credit where paying agents are involved may be interesting.

For 1950/51 a single man has the following income:

Dividends from United Kingdom companies (gross amounts):

| | | | | |
|-----------------------|----|------|---|---|
| A, Ltd. U.K. rate gs. | .. | £200 | 0 | 0 |
| B, Ltd. " 7s. 6d. | .. | 160 | 0 | 0 |
| C, Ltd. " 3s. 3d. | .. | 140 | 0 | 0 |

Foreign dividends through paying agents:

| | | | |
|--------------------------|------|---|---|
| D Co., Dividend declared | £120 | 0 | 0 |
| Less U.K. tax at gs. | 54 | 0 | 0 |
| Net | £66 | 0 | 0 |

| | | | |
|-----------------------|-----|---|---|
| E Co., Pref. dividend | £80 | 0 | 0 |
| Less Withholding tax | 12 | 0 | 0 |
| | 68 | 0 | 0 |

Less U.K. tax at 6s. on £80 24 0 0

Net £44 0 0

| | | | |
|--------------------------|------|---|---|
| F Co., Dividend declared | £400 | 0 | 0 |
| Less Withholding tax | 60 | 0 | 0 |

Less U.K. tax at 4s. 6d. on £340 98 14 2

Net £241 5 10

(It is subsequently found that D Co. suffered foreign tax at 30 per cent. on its profits, E Co. 25 per cent., and F Co. 32½ per cent.)

Earned income £2,500 0 0

Computations:

| | | | | |
|----------------------|----|-------|-------|-----|
| For effective rate : | | | | |
| U.K. dividends .. | .. | £500 | 0 | 0 |
| Foreign do., D .. | .. | 120 | 0 | 0 |
| " E .. | .. | 80 | 0 | 0 |
| " F .. | .. | 400 | 0 | 0 |
| Salary .. | .. | 2,500 | 0 | 0 |
| | | | | |
| | | | 3,600 | 0 0 |

| | | | | |
|----------------|----|-------|--------|-----|
| E.I.A. | .. | £400 | | |
| P.A. | .. | 110 | | |
| | | <hr/> | 510 | 0 0 |
| | | | <hr/> | |
| | | | £3,090 | 0 0 |
| | | | <hr/> | |
| £50 at 2s. 6d. | .. | £6 | 5 | 0 |
| £200 at 5s. | .. | 50 | 0 | 0 |
| £2,840 at 9s. | .. | 1,278 | 0 | 0 |
| | | | <hr/> | |
| | | | 1,334 | 5 0 |

Sur-tax—

| | | | |
|-----------------|-------|-------|-------------|
| £500 at 2s. | £50 | 0 | 0 |
| £500 at 2s. 6d. | 62 | 10 | 0 |
| £600 at 3s. 6d. | 105 | 0 | 0 |
| | <hr/> | 217 | 10 0 |
| | | <hr/> | £1,551 15 0 |

£1,551.75 = 8s. 7.45d. in £

| | | | | |
|---------------------------|--|------|---|----|
| 3,600 | | | | |
| D. Co., Gross dividend, | | | | |
| 100 | | | | |
| £120 × $\frac{100}{70}$ = | | £171 | 8 | 7 |
| U.K. tax at 9s. thereon | | £77 | 2 | 10 |
| Less foreign tax credit | | 51 | 8 | 7 |

| | | | | |
|--------------------|----|----|----|---|
| U.K. tax liability | .. | 25 | 14 | 3 |
| do. deducted | .. | 54 | 0 | 0 |

Repayable .. £28 5 9

E Co. Indirect tax is ignored on preference dividends, so no adjustment arises.

F Co., Foreign tax 32½ per cent. + 15 per cent. = 47½ per cent., or 9s. 6d. in £.

Credit limited to U.K. rate 8s. 7.45d. "True" gross for credit:

| | |
|-------------------------------|-----------|
| £340 × $\frac{20}{11/4.55}$ = | £597 11 8 |
| Tax at 9s. thereon . . | £268 18 3 |
| Credit £597 11s. 8d— | |
| £340= | 257 11 8 |

| | | | | |
|-------------------|----|----|----|---|
| U.K. liability | .. | 11 | 6 | 7 |
| U.K. tax deducted | .. | 98 | 14 | 2 |

Repayable .. £87 7 7

The following subjects are included in Professional Notes: Extra-Statutory Tax Concessions; Royal Commission on Taxation—Taking of Evidence; Estate Duty—Valuation of Depreciating Shares; Purchase Tax on Stationery. A note on Eire Tax Cases appears on page 60.

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT., Barrister-at-Law

Income tax, Schedule E—Expenses—Insurance manager—Use of part house for performance of duties—Claim to deduction for another room—Income Tax Act, 1918, Schedule E, Rules, 1, 9—Finance Act, 1922, Section 18.

Roskams v. Bennet (Ch., November 10, 1950, T.R. 343) was a case where in circumstances which need not be recapitulated General Commissioners had allowed the respondent a deduction of £21 per annum in respect of the use of part of his house for the purposes of his employment as a district manager of the Prudential Assurance Company. The expense in question was necessitated by respondent's defective vision, and, this being so, the deduction was clearly inadmissible by virtue of *Ricketts v. Colquhoun* (1926, A.C. 1, 10 T.C. 118), in which it was established that the only deductions permitted by Rule 9 of Schedule E were expenses which, in the words of Lord Blanesburgh:

each and every occupant of the particular office is necessarily obliged to incur in the performance of its duties, to expenses imposed upon each holder *ex necessitate* of his office, and to such expenses only.

In reversing the decision of the Commissioners, Danckwartz, J., said:

Rule 9 . . . causes a considerable amount of hardship when applied to particular cases. Judges dealing with particular cases have said so again and again. Their suggestions and their observations, however, have either fallen upon deaf ears or perhaps have not reached the ears . . . of persons who, through the Legislature, decide these matters for other people.

It is to be hoped that the new Royal Commission's labours will result, *inter alia*, in the removal of a hardship the continuance of which constitutes a discreditable feature of our income tax system.

Income Tax—Association of American insurance companies—Unincorporated body—Business carried on in United Kingdom—Business in United Kingdom conducted in the names of two United Kingdom companies participating in the business of the Association—Both United Kingdom companies at same London office—Office expenses borne by Association and divided pro rata amongst participants according to extent of participation—Whether a joint venture—Whether a partnership—Stamp Act, 1891, Section 93—Marine Insurance Act, 1906, Section 23—Income Tax Act, 1918, Section 237; Schedule D, Cases I and II, Rule 10.

American Foreign Insurance Association v. Davies (Ch., October 25, 1950, T.R. 303) was a case with facts different from those of any case previously before the

Courts (although participation agreements are a normal feature of insurance business). The appellant association was an unincorporated body consisting of fifteen American insurance companies incorporated in the United States carrying on fire and marine insurance. The relationship between the members was governed by documents called "Constitution and By-Laws." The principal office was in the City of New York and the scope of the business was fire, marine and allied lines of insurance and facultative re-insurance in territory other than the United States, Alaska, Hawaii, Canada and Newfoundland. The members were to participate in the business carried on and in its profits and losses according to agreed and recorded proportions, the total units of participation being fixed at 90. The business in the United Kingdom was carried on by two limited companies, Home Insurance Co., Ltd., and St. Paul Fire and Marine Insurance Co., Ltd., at an office in the City of London. These two companies were members participating to the extent of 13/90ths and 7/90ths respectively. The London office was leased by the Home company but the expenses of the office, staff, etc., were for the account of the Association and the London manager was appointed and paid by it. Assessments had been made upon the Association for the 10 years 1938-9 to 1947-8 inclusive upon the basis that it was trading in the United Kingdom; the Special Commissioners had decided in favour of the Crown; and Danckwartz, J., affirmed their decision.

Several questions were considered by His Lordship. As to the contention supported, as he said, by some evidence that the Association was not a partnership by the law of the United States, the question was whether it was one by the law of England and in view of Section 1 of the Partnership Act, 1890, "it may well be that by our law a partnership was created," but he did not necessarily have to decide that question in view of the fact that the provisions of Rule 1 of the General Rules and Section 237 of the Income Tax Act, 1918, enabled any unincorporated body of persons to be charged. Another argument based upon the alleged irregularity of the business methods adopted by the Association was rejected in view of *Lindsay, Woodward and Hiscox v. C.I.R.* (1932, 18 T.C. 43), and *Southern v. A.B.* (1933, 18 T.C. 59).

Upon the facts set out in the judgment the present writer forms the opinion that probably only the amount at stake made the slender chance of success worth taking.

Income tax—Office or employment of profit—Director of company appointed managing director—British company controlled in United Kingdom operating abroad—Functions of managing director performed abroad—Whether office held in United Kingdom—Schedule E, Rules 1, 6—Finance Act, 1922, Section 18.

Goodwin v. Brewster (Ch., November 3, 1950, T.R. 329) raised an interesting point arising out of the decision of the House of Lords in *McMillan v. Guest* (1941, A.C. 561, 24 T.C. 190). There, it had been held that a director of a United Kingdom company controlled in the United Kingdom was as such within the ambit of Schedule E, regardless of whether he was resident in the United Kingdom or not. In the present case, the appellant was appointed on July 16, 1936, to be a director of Trinidad Consolidated Oilfields, Ltd., a British company controlled in the United Kingdom; and upon the same day he was appointed, under powers contained in the articles, to be managing director. As director he was entitled to £200 a year, whilst under his agreement with the directors he was to receive £3,000 per annum as managing director. Under the company's articles the appointment as managing director was to be made by the directors, who had the usual powers of dismissal. The articles contained powers under which directors could appoint alternate directors to avoid the inconvenience of attending board meetings when serving abroad, a power which appellant exercised when in Trinidad. The assessments appealed against were in respect of the years 1941-2, 1942-3 and 1943-4—during the whole of these years he was in Trinidad—and the issue was whether the £3,000 per annum was chargeable under Schedule E.

The Special Commissioners had held that appellant held only one office and that, following *McMillan v. Guest*, he was assessable under Schedule E in respect of his salary as managing director and his director's fees. Danckwartz, J., while disagreeing with this finding and holding that appellant did hold two separate offices, nevertheless upheld their decision:

the duties which were cast upon the managing director by this agreement were the management of the business as a whole. The office and control of the company were at all material times in London. . . . I see no evidence in the case, or anything in the findings of the Special Commissioners, to support the view that there was any agreement . . . modifying the terms of his agreement so that he should confine his management to Trinidad . . . legally, and, therefore, in principle, he was still the general manager of the business of the company and as the control of the company and the head office were still in London, he must be taken to hold the office . . . in the United Kingdom.

The appellant as managing director whilst having the general management of the company's business was, nevertheless, under his agreement subject to the control of the directors and an employee deriving his powers from them and not from the company. There may be cases where the directors require the managing director to live permanently abroad and the decision in the present case would still, seemingly, apply. If so, in the present writer's opinion, it goes beyond what was established in *McMillan v. Guest*, because, if the fact of the appellant being also director is not to be taken as affecting the issue, the principle established would apparently make liable classes of employees serving abroad other than managing directors, if their duties extend to the whole of the company's operations. The holders of some professional appointments would come into this class.

Income tax—Authoress—Sales for lump sums of film rights of books—Whether capital receipts or assessable as receipts of profession—Income Tax Act, 1918, Schedule D, Cases I and II.

Howson v. Mousell (Ch., November 7, 1950, T.R. 333) raised afresh the question of the taxability of lump sums received by authors in respect of their copyrights. Here, the respondent, who was admittedly carrying on the profession of authoress, had sold the film rights of her books and, on appeal, the General Commissioners had held that the lump sum amounts received from the sale were of a capital nature and not taxable under Case II of Schedule D. Danckwartz, J., reversed their decision. As he said, it was plain that Mrs. Mousell received these sums by reason of the fact that she was carrying on the vocation of authoress and the receipts were in the course of carrying on that vocation. It was no answer that they were of a capital nature. *Glasson v. Rougier* (1944, 26 T.C. 86) clearly applied. Had the receipts been from sales after she had ceased to exercise her profession, *Nethersole v. Withers* (1948, 28 T.C. 501) would have freed them from taxation.

The cases on the subject show somewhat fine distinctions. In *Beare v. Carter* (1940, 23 T.C. 353), Dr. Carter had received £150 in respect of permission to Butterworth and Co. to publish a new edition of his *History of the English Courts*. An important statement of fact in the "case" was that no other book written by the respondent had been published. The Revenue, in view of this, did not contend that he was assessable under Case II of Schedule D as carrying on the profession of author, but claimed that the amount was taxable under Case VI. It was held that, in the circumstances, the £150 was a non-taxable capital receipt: but an extraordinary feature of the case which does not affect its validity is not without a humorous aspect. Dr. Carter was in fact

not a "one book" man. He was also the author of a well-known Bar students' textbook on the law of contract, published by a different firm, which had run through many editions. That this was overlooked by the Revenue, and apparently by everyone else, is amazing.

Income tax—Farming—Compulsory assessment under Case I of Schedule D as a trade—Exemption by reference to total annual value—Computation of annual value—Income Tax Act, 1918, Schedule A, General Rule No. 1, Rule 1, No. V, Rules 1-7—Finance Act, 1941, Sections 10, 11.

Cropper v. Haigh (Ch., November 8, 1950, T.R. 335) arose out of the enactment in 1941 whereby farming, generally, was made a trade assessable under Case I of Schedule D. There was an exception made in the case of farmers where the total annual value of the lands occupied by the individual did not exceed £300, a figure reduced to £100 in 1942. The exception was abolished altogether by Section 31 of the Finance Act, 1948, so far "as respects income tax for the year 1949-50 and all subsequent years of assessment" so that the case is of only transitory importance. Nevertheless, the difference during the years concerned between the notional farmer's profit under Schedule B equal to "annual value" and the actual profit upon a Case I basis was often extraordinary. In the present case, of one of the respondent's farms the annual value was £85 but from this figure £12 was deducted for repairs "for the purposes of collection" under Schedule A, No. V, Rule 7, Income Tax Act, 1918, £20 in respect of Tithe Redemption Annuity under Section 13 of Tithe Act, 1936, and £53 in respect of drainage rates, leaving nothing by way of net assessment under Schedule A.

In sub-Section 3 of Section 11 of the Finance Act, 1942, "annual value" was defined as:

total annual value for the purposes of Schedule A before any reduction is made for the purposes of collection

and as the last six words are only used in the Acts in relation to the repairs allowance it was successfully contended that the £53 drainage rates were a permissible deduction. (The wording of Section 13 (6) of the Tithe Act, 1936, would have made the £20 inadmissible if it had been necessary to include this in order to bring the case within the exception.)

The Special Commissioners had decided in favour of the respondent; and Danckwartz, J., affirmed their decision. There was no economic merit in the case, only a legal flaw. Schedule B being an occupation tax based, theoretically, upon rack-rent, it would be quite immaterial to an occupier

as such what the owner had to pay out of the rent by way of drainage rates.

Excess Profits Tax—Company—Shares held by executors—Directors' shares less than half of total shares issued—Whether voting rights exercisable in respect of shares held by executors—Whether company director-controlled—Companies (Consolidation) Act, 1908, Table A, Clause 23—Finance (No. 2) Act, 1939, Section 13 (3), (9), Schedule VII, Part 1, paragraph 10—Finance Act, 1940, Section 33 (5).

Joseph Appleby, Ltd. v. C.I.R. (Ch., November 8, 1950, T.R. 339) was a case where it would have been advantageous to a company if it were held to be director-controlled. Of 11,000 shares, 5,476 were held by the directors and 5,473 by the executors of a deceased shareholder. Probate had been brought to the attention of the company's secretary but the executors themselves had not been registered on the register of shareholders as holders of the shares. Article 23 in Table A of the Companies (Consolidation) Act, 1908, had been altered, by Article 19 of the special articles, to the following:

A person becoming entitled to a share by reason of the death or bankruptcy of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that where he becomes entitled thereto by reason of such bankruptcy he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the company.

Danckwartz, J., affirming the decision of the Special Commissioners, held that the addition to the wording of Article 23 of Table A of the words in italics entitled the executors to vote with the result that the company was not director-controlled, the directors holding less than a majority of the shares entitled to vote.

Income tax—Mortgage bonds of an American company—Interest in arrear—Arrangement between company and bondholders—Cancellation of bonds and issue of promissory notes in lieu—Sums equal to interest in arrear on bonds paid after cancellation of bonds—Whether sums so paid income from foreign securities—Whether income from foreign possessions—Income Tax Act, 1918, Schedule D, Cases IV and V.

Lilley v. Harrison (Ch. November 9, 1950, T.R. 341) was a case which involved a point of principle of considerable general importance. The appellant owned \$100,000 mortgage bonds of an American company. In 1942 the company desired to dispose of the property which was security and in December, 1942, a contract was entered into between the parties by which the bonds were to be cancelled and a promissory note for \$100,000, bearing interest at 4½ per

cent. per annum in lieu of 6 per cent., was to be issued to appellant payable not later than December 31, 1947. It was secured by a second mortgage on some new property and a first mortgage note secured on the original property by the purchasing company. As regards the arrears of interest \$36,000, the appellant had agreed that it should be paid one-half in June 1943, and the balance in June, 1944, and this was duly done. The bonds were cancelled in January, 1943, and alternative assessments had been made for 1943-4 and 1944-5 respectively under Cases IV and V.

The appellant contended that there was no liability to tax because the source, the bonds, had been cancelled prior to April 5, 1943, and therefore she did not possess the source during the years of assessment. There was an alternative submission for the appellant—that the payments were capital and not income—but this was only mentioned in the judgment. For the Crown it was submitted that the source remained; either it was the original source still subsisting during the assessment years, in which case tax was chargeable under Case IV as income from foreign securities, or the contract of December, 1942, was the source, in which case tax was chargeable under Case V as income from a foreign possession. The Special Commissioners had held that the payments were liable under Case V and had rejected the claim to tax under Case IV. Danckwertz, J., reversed their decision, holding that the source was the same throughout, namely, the bonds, and her right had accrued by virtue of her ownership of them. What had happened in the arrangement of December, 1942, was that her present right to receive the \$36,000 interest was postponed until June, 1943, and June, 1944, respectively, and the consideration was the advantage she obtained in regard to the \$100,000.

The reader of the above note should, if interested, refer to *Cull v. Cowcher* (1934, 18 T.C. 449), and the judgment of Finlay, J., as he then was. He there agreed in general principle that where money was lent at interest the source was not the sum of money but the agreement to pay interest and, in the case before him, he held that the source did not cease because of a temporary suspension of the right to interest. In the case under consideration, if the right to receive 6 per cent. interest on the bonds was the "source" of the \$36,000, it is difficult to see how, if the contract of December, 1942, did not affect that right, it was destroyed or ceased to exist by reason of postponement. If, upon the other hand, the right in question did cease to exist by reason of the contract of December, 1942, then it is difficult to see why that contract should not be regarded as the source of the payments. The conception of "disembodied"

sources, nevertheless, results in curious situations. For instance, in the case of a house situated abroad, is the tenancy agreement to be deemed the "source" and not the house? And does each fresh tenancy—even by the same tenant—involve the cessation of one source and the acquisition of another? The subject is almost unexplored at present; and there are many possibilities.

Income Tax—Currency variations—English subsidiary company exporting to China—Deposits of Chinese dollars by consignees—Deposits kept in Shanghai banks—Outbreak of war between China and Japan—Transfer of deposits to London and on loan to parent company—Closing down of China business—Repayments of deposits—Large surplus in sterling owing to depreciation of Chinese dollar—Whether surplus a trading receipt—Income Tax Act, 1918, Schedule D, Case I.

Davies v. Shell Company of China, Ltd. (Ch., November 10, 1950, T.R. 345) was one with interesting features although, unless appealed from, it will not be of much guidance upon the taxation problems which arise out of the variations of exchange ratios. The respondent company, Shell Company of China, Ltd., was an English company and member of the Shell group. Its business was the export of petroleum products to China and the sale there by Chinese agents, who as security for the goods consigned to them had to deposit with the company Chinese dollars. At December 31, 1936, these deposits exceeded \$7 million, with a sterling equivalent at that date exceeding £430,000, the dollar being then worth about 1s. 3d. In 1937 war broke out between China and Japan, and the company began to transfer the deposits from the banks in China, where they were held, to London. There they were placed on long-term deposit with the parent company, which, in effect, acted as the company's banker. This process was completed by "about August, 1938," and "about the year 1941" the company closed down its operations through the Chinese agents, and the latter's deposits became repayable. The Chinese dollar had by then depreciated to about 3d., with the result that a very much smaller sum in sterling was required for the purposes of repayment. The question was whether the difference amounting to nearly £230,000 was a trading receipt. Assessed for 1942/43, the Special Commissioners had held that, as under the terms governing the deposits:

the company was free to use the moneys for the time being in its hands for investment as part of its fixed capital, and did, in fact, so use them, and not as circulating capital for the purpose of carrying on its trade. Consequently the profit on exchange was a capital profit,

and Danckwertz, J., upheld their decision as a finding of fact. Quoting *in extenso* the well-known judgment of Romer, L.J., in *Golden Horse Shoe (New), Ltd. v. Thurgood* (1934, 12 A.T.C. 506, 18 T.C. 280), he said that the deposits "were in no way held on trust for the agents in question and the company did, in fact, simply mix them with its general deposit account, no doubt."

Without expressing any opinion as to the actual finding, there is one point which the writer finds rather puzzling. At the commencement of his judgment the judge mentioned that the agents were:

required by the terms of their contracts to deposit... certain sums... so that if they defaulted... the company would have in hand something to meet the amounts due.

One would have thought that these sums constituted capital not of the English company but of the Chinese agents and could scarcely be capital of both parties. Upon the facts stated in the judgment, they would seem to have been debts contingently repayable to the depositors, and it would appear to have been quite possible to hold that the profit was one which did not arise from trading without basing the finding upon the difference between fixed and circulating capital, surely a somewhat over-worked principle.

Eire Tax Cases

THE FOLLOWING LETTER HAS BEEN SENT to all Incorporated Accountants in Ireland by Mr. J. Love, F.S.A.A., Honorary Secretary of the Irish Branch of the Society. We have been asked to publish it for the information of others.

DEAR SIR/MADAM,

I have now been informed by the Revenue Commissioners that arrangements have been made with the Government Publications Office to print all Tax Cases as and from January 1, 1951. The Tax Cases will be issued by the Stationery Office in bulk to me and I shall issue them to our members. They will not be supplied at the Stationery Office.

With regard to previous Tax Cases, arrangements are being made to have these printed and assembled in one or more volumes. We shall be notified at a later date when these are available.

The cost to members will be 5s. per annum for one copy of each Tax Case. I shall be glad if you will let me know immediately if you wish to receive the Tax Cases as they are published.

Yours faithfully,

J. LOVE, F.S.A.A.,

The Society of Incorporated Accountants in Ireland,

34, Dame Street,
Dublin.

January 11, 1951.

Extra-Statutory Tax Concessions

The following list of Extra-Statutory concessions in operation at December 31, 1949, is reproduced with the permission of the Controller of H.M. Stationery Office.

The concessions are of general application, but it must be borne in mind that in a particular case there may be special circumstances which will require to be taken into account in considering the application of the concession.

INCOME TAX

1. Agricultural Depression

Relief from tax under Schedule A is granted in respect of remissions of rent of farm land on account of agricultural depression.

2. Unoccupied Land

Relief from income tax, Schedules A and B, is allowed on waste and unenclosed land, and on agricultural land which the owner is unable to let or to farm himself.

3. Lost Rent

Relief from income tax, Schedule A, is allowed in respect of rent which is wholly and irrecoverably lost or waived owing to the bad financial circumstances or absconding of the tenant. (In Northern Ireland the relief is statutory.)

4. Unworked Mills and Factories

Relief from income tax, Schedule A, is allowed under the head of "empty property" where mills or factories are unworked, notwithstanding that they contain machinery and that the machinery is turned occasionally for the prevention of rust.

5. Maintenance of Property

Rule 3 of No. V of Schedule A, Income Tax Act, 1918, provides that, if the owner of land or houses proves that the cost to him of maintenance, repairs, insurance and management, on the average of the five years preceding the year of claim, exceeds the flat rate repairs allowance for that year, he can claim repayment of the Schedule A tax on the property up to the amount of tax on the excess. The following relaxations are allowed:

(a) Where the claimant owns both lands and houses, the claim may be based on aggregate expenditure on lands and houses taken together, irrespective of the actual separate expenditure on each of the two classes of property.

(b) Where a new owner is unable to obtain details of previous owners' maintenance expenditure, a claim is admitted on the basis of his actual expenditure in the year of claim (provided that the expenditure is not exceptionally heavy) until a five years' average is available, if the claimant undertakes to accept the

"actual year" basis for five complete years.

(c) The estimated cost of repairs obviated by alterations is allowed, provided the alterations have not created a new subject of assessment.

(d) Where plant or machinery is employed for property maintenance, the actual expenditure on renewals of the plant or machinery as and when incurred qualifies for inclusion in a maintenance claim. As an alternative to this basis of claim, however, the claimant may charge, in place of the actual outlay on renewals, the normal allowances for initial allowances, wear and tear, etc., which would be due under the Income Tax Act, 1945, if the plant or machinery were employed in a trade or business.

6. Business Passing on the Death of a Trader

The death of a trader and the consequent passing of his business to his successor is an occasion for the application of the discontinuance provisions of the Income Tax Acts. Where, however, a business passes on death to the trader's husband or wife who has been living with her or him, the discontinuance provisions are not enforced unless claimed. But, in any case, losses and capital allowances for which the deceased had not obtained relief are not permitted to be carried forward.

7. Partnership Changes

Under Rule 11 of the Rules applicable to Cases I and II of Schedule D, Income Tax Act, 1918, the introduction or withdrawal of a partner may, at the partnership's option, be made the occasion for the application of the discontinuance provisions of the Income Tax Acts. Where there are two successive changes of partnership in respect of only the second of which the discontinuance option is exercised, an additional assessment for the penultimate year of assessment can only be made on the partnership as constituted at the time of the second change, and in respect of the period during which the partnership, as so constituted, carried on the business.

In such cases, the additional liability of a partner who was carrying on the trade for an earlier part of the year than that to which the additional assessment extends, is restricted so that his total liability for the

year does not exceed his share of the actual profits of the year, or his share for the whole year of the original assessment, whichever is the greater.

8. Machinery or Plant: Changes from a "Renewals" to a "Wear and Tear" Basis

Expenditure on machinery or plant which has been the subject of a "renewals" deduction does not technically qualify as capital expenditure for the purpose of annual "wear and tear" allowances or balancing allowances (Section 64(1)(a), Income Tax Act, 1945). Taxpayers who change from a "renewals" to a "wear and tear" basis are, however, permitted to claim such allowances as if the expenditure did so qualify.

9. Stolen Machinery or Plant: Balancing Allowances

Balancing allowances are given in respect of the loss of machinery or plant by theft.

10. Relief in Respect of Losses

Under Section 34 of the Income Tax Act, 1918, relief in respect of a loss in any trade, etc., may be given against any income of the trader chargeable for the year for which the loss was incurred, i.e., against the trader's income from other sources or against the assessment on the profits of the trade based on the profits of the preceding year.

Capital allowances in respect of machinery or plant, industrial buildings, etc., rank in law as deductions from the assessment and not as deductions in computing the profit or loss. Such allowances due for the year of claim are, however, permitted to be deducted in computing a loss for the purposes of relief under Section 34, to the extent that they have not been allowed in the assessment for that year and subject to an undertaking being given by the claimant to regard such a deduction as constituting effective relief for the allowances for all tax purposes.

11. Management Expenses

Under Section 33 of the Income Tax Act, 1918, life assurance companies, etc., which are charged to tax on interest, etc., by deduction or otherwise, and not on profits under Case I of Schedule D, are entitled to claim repayment of tax on management expenses.

The initial and annual depreciation allowances which would be given under the provisions of the Income Tax Acts on office machinery and motor cars used for trade purposes, if the trade were assessed under Case I of Schedule D, are treated as management expenses for the purposes of a claim under Section 33. Similarly, the net annual value of premises owned and occupied for trade purposes is also treated as management expenses.

12. Flat-Rate Allowances for Cost of Tools and Special Clothing

An employee who has to bear the cost of providing tools or special clothing necessary for his work is entitled, under Rule 9 of Schedule E, to an allowance for the expenditure incurred. For most classes of trade flat-rate allowances have been agreed with the trade unions concerned, and these allowances are given without enquiry as to the expenditure actually incurred in the individual case. The existence of a flat-rate allowance does not, however, debar an individual employee from claiming as a deduction the actual expenses he has incurred.

13. Christmas Presents in Kind to Employees

Christmas presents in kind given by an employer to his subordinate employees are not treated as taxable remuneration, and this treatment has been extended to the presentation of Savings Certificates or Savings Stamps and deposits in the Post Office or Trustee Savings Banks in lieu of such presents.

14. Miners: Allowances in Lieu of Free Coal

Income tax is not charged on cash payments received by miners from their employers in lieu of the free coal which they have been entitled to receive by virtue of their employment.

15. Pensions to Police Officers and Firemen

The amount by which the special pension awarded on retirement through disablement from injury on duty (or from war wounds) exceeds the pension which would have been awarded if retirement had been on ill-health grounds is not treated as income for income-tax purposes. Similarly, a disability pension awarded in addition to a retirement pension is not treated as income.

16. Children of War Widows

(a) The exemption from income tax given by Section 27, Finance Act, 1922, to payments made by the Ministry of Pensions to widows of members of the Forces in respect of their children is applied to similar payments in respect of children made to "unmarried wives," and also to similar payments in respect of children made to widows and "unmarried wives" of members of the Mercantile Marine and to widows of civilians who have died from war injuries.

(b) The same exemption is also applied to similar payments in respect of children which are made to war widows (or "unmarried wives") by Commonwealth Governments.

17. Directors' Travelling Expenses: Part IV, Finance Act, 1948

The general rule is that the cost to a taxpayer of travelling to and from his place of business is not allowable as a deduction in computing his tax liability; consequently, the full amount of an allowance paid by a company to a director or senior employee in respect of such expenses is chargeable to tax under Part IV, Finance Act, 1948. The rule is modified in the following types of case:

(i) A director (whether whole or part time) of two or more companies within a group of parent and subsidiary or associated companies, whether or not entitled to separate remuneration from each of the companies of which he is a director, is regarded as having one place at which he normally acts as a director of companies within the group, and as entitled to a deduction (or a dispensation from assessment under Section 42, Finance Act, 1948) for expenses necessarily incurred in travelling from that place to other places on the business of the group in the course of his duties as a director. The same principle is applied to an individual who is an employee of one company and a director of another company within the same group of companies. (By "associated company" is meant a company on whose board the group is represented because of the group's shareholding or other financial interest.)

(ii) A director who gives his services without remuneration to a company not managed with a view to dividends (e.g., a company owning a hall or sports ground, or running a club) is not treated as assessable in respect of any travelling expenses paid to him.

(iii) Where a directorship is held as part of a professional practice (and not, for example, because of some direct or indirect financial interest in the company), expenses incurred by the director in carrying out his duties are allowable as deductions in assessing the profits of the practice under Schedule D, whether the practice is carried on alone or in partnership. Reasonable expenses paid to the director by the company are accordingly not assessed upon the director under Schedule E, provided no claim is made to a deduction under Schedule D.

"Travelling expenses" includes in all cases reasonable hotel expenses necessarily incurred.

18. Expenses Allowances and Benefits in Kind: Part IV, Finance Act, 1948
Under Part IV of the Finance Act, 1948, expenses allowances and benefits in kind received by directors and (with certain exceptions) by senior employees are assessable to tax as emoluments of the director or employee, subject to a deduction for expenses

incurred which satisfy the conditions laid down in Rule 9 of Schedule E. The following relaxations are made in practice:

(a) No assessment is made in respect of removal expenses borne by the employer where the employee has to change his residence as a result of transfer to another post within the organisation, provided that the expenses are reasonable in amount and their payment is properly controlled. "Removal expenses" includes such related items as a temporary subsistence allowance while the employee is looking for accommodation at the new station.

(b) Where the benefit assessable consists of a rent-free house, the director or employee is chargeable on the annual value (or the rent paid by the employer) and on expenses borne by the employer, such as rates. The amounts charged on the employee are restricted in the case of a patently old-fashioned and too large house.

(c) Under Section 39(3), Finance Act, 1948, living accommodation provided for an employee (as distinct from a director) in part of the employer's business premises is exempt from charge under Part IV where certain conditions are satisfied. In practice the exemption is also allowed in the case of a full-time director of a company whose beneficial shareholding does not exceed 5 per cent. of the ordinary share capital, unless his emoluments (including the value of benefits within the scope of Part IV) exceed £2,000.

19. Dependent Relative Allowance

Where a dependent relative (within the meaning of Section 22 of the Finance Act, 1920) does not reside with the claimant and receives from him less than £50 per annum, a deduction is allowed of the actual amount of the contribution, though in strictness the requirement that the relative should be "maintained" by the claimant is not fulfilled. Where contributions are made by two or more persons, though not amounting to £50 in all, a deduction is allowed to each of his actual contribution.

20. Members' Contributions to Trade Unions

So much of a member's contribution to a trade union (whether registered or not) as is allocated to superannuation benefits, in addition to any portion allocated to funeral benefits or life assurance, is treated as qualifying for life assurance relief.

21. Residence in the United Kingdom: Year of Commencement or Cessation of Permanent Residence

For the income tax year in which a person comes to the United Kingdom to take up permanent residence his income from abroad is not assessed on the basis of the income for a full income tax year but is

computed by reference to the period of his residence here during the year. A similar practice is adopted for the income tax year in which a person ceases to reside in this country if he has left here for permanent residence abroad. (This concession does not apply to changes of permanent residence between the United Kingdom and the Irish Republic.)

22. Minors and Contingent Interests
Section 21(3), Finance Act, 1936, provides in general, that sums paid under an irrevocable settlement of capital to a child of the settlor, being a child who is an infant and unmarried at the commencement of the year of assessment in which the sum is paid, are to be treated for income tax and surtax purposes as income to the settlor and not of the child. Sums which have been accumulated under such a settlement contingently on the child attaining the age of 21 or marrying and which are handed to the child on the happening of either contingency are not treated as caught by the subsection.

23. Interest, etc., Paid Otherwise than out of Taxed Income: General Rule 21, Income Tax Act, 1918

Under Rule 21, tax deducted from interest, annual payments, etc., paid otherwise than out of taxed income has to be paid over to the Revenue.

Where interest, etc., is so paid in a later year than the due year, but in the due year could have been paid wholly or partly out of taxed income, an allowance is made, in fixing the amount to be paid over under Rule 21, for the tax which the payer would have been entitled (under General Rule 19) to deduct and retain if the interest, etc., had been paid at the due date.

If hardship would otherwise be caused, a similar allowance is made in the case of a trust or other non-trading institution paying interest, etc., at the due date out of the taxed income of past years.

24. Dominion Income Tax Relief under Section 27, Finance Act, 1920 : Effect of Excess Profits Tax

If the United Kingdom income tax assessment for any year differs in amount from the corresponding Dominion assessment, Dominion income tax relief is allowable under the law only on the lower of the two assessments. In practice, however, where the United Kingdom assessment for a particular year is reduced below the corresponding Dominion assessment by the deduction of United Kingdom excess profits tax, and that excess profits tax is subsequently repaid on account of a later deficiency, thus increasing the United Kingdom assessment for a later year to a figure in excess of the relative Dominion assessment, relief is allowed on the amount which would have been relieved if the

refunded Excess Profits Tax had not been payable. Similarly, where profits tax displaces Excess Profits Tax as the effective charge, the relief is computed as though the profits tax alone had been deducted year by year.

25. Dominion Income Tax Relief under Section 27, Finance Act, 1920 : Sur-tax Payer

The appropriate rate of a sur-tax payer comprises his income tax appropriate rate for the year of claim plus his sur-tax appropriate rate for the year preceding the year of claim.

(a) If the taxpayer is resident in the United Kingdom for one year only, and his sur-tax appropriate rate for the previous year is nil, he is not entitled under the law to any relief in respect of sur-tax paid for the year of claim. In such circumstances, the sur-tax appropriate rate for the year of residence is added to the income tax appropriate rate.

(b) Where a person is not liable to sur-tax for a particular year, his appropriate rate in that year is, in strictness, the appropriate rate for income tax only, even though he may have paid sur-tax for the previous year. The appropriate rate for all years is, however, computed in practice as the sum of the appropriate rate of income tax for the year of claim plus the appropriate rate of sur-tax for the preceding year.

26. Double Taxation Relief: Deduction of Unrelieved Oversea Tax

Where overseas tax is credited against United Kingdom tax under a double taxation agreement, any excess of overseas tax which cannot be so credited is deductible in computing the amount of the overseas income for income tax and profits tax purposes. Where there are relevant distributions chargeable to profits tax at the higher rate, the effect of the deduction is ordinarily to increase the total tax liability, and, where this is so, no deduction is made for income tax or profits tax purposes.

27. Double Taxation Relief: Non-Resident Director of a United Kingdom Company

A director of a United Kingdom company is liable to income tax under Schedule E on any fees voted to him. If resident abroad, he may also be charged to tax in the country of residence. For tax credit purposes, the source of the income is deemed under double taxation agreements to be in the country where the services are performed. If that country is also the country of residence, he can claim credit under the agreement neither in that country nor in the United Kingdom (paragraph 3 of Part I, Ninth Schedule, Finance Act, 1947). In practice, in these and comparable circumstances

(e.g., civil servants recruited locally abroad) the United Kingdom gives credit for the overseas tax.

28. Double Taxation Relief: United Kingdom Branch of Non-Resident Bank
Tax credit relief under double taxation agreements is available under the law only to persons who are resident in the United Kingdom. Where, however, the United Kingdom branch of a non-resident bank has in the past received Dominion income tax relief on its investment income, but owing to the conclusion of a double taxation agreement such relief is no longer available, tax credit relief is given on the same income as though the bank were resident in the United Kingdom.

29. Bank Interest, etc., Received by Charities

The exemption from tax under Schedule D in Section 37 (1) (b) of the Income Tax Act, 1918, in favour of charities extends to yearly interest or other annual payments forming part of the income of a charity. In practice this exemption is extended to bank interest, whether yearly or not, received by charities and to discount on Treasury Bills held by charities.

30. Income of Roman Catholic Religious Communities or of their Members

The precise legal position as regards the title to such income, which is in fact treated by the community as belonging to the common fund, is often difficult to ascertain. In practice in the case of certain Orders (such as those engaged in charitable work among the poor) relief is given under the provisions relating to charities; in the case of the Contemplative Orders and other Orders which are not in law capable of being regarded as charities, a proportion of the aggregate income not exceeding £50 per monk or nun (as representing the amount applied for the maintenance of each individual) is regarded as his or her income for the purpose of relief from tax.

31. Building Societies

Building societies may enter into a special income tax arrangement, of which the main features are as follows:

(a) The society accounts on a conventional basis for income tax in respect of the dividends and interest credited to its investors.

(b) Dividends and interest are credited without deduction of tax, and are not subject to tax at the standard rate (but are subject to sur-tax) in the investor's hands.

(c) Interest is paid by borrowers without deduction of tax, and borrowers are relieved of the tax applicable thereto, the tax being charged on the society.

32. Loan and Money Societies

A loan or money society is granted such relief as will restrict the net income tax liability to tax on the amount of dividends and interest paid or credited to members or depositors having taxable income, less, as regards members, an appropriate deduction for management expenses contributed by them. The tax is calculated at the reduced rates on dividends and interest accruing to members and depositors who are liable only at the reduced rates.

33. Holiday Clubs and Thrift Funds

Clubs formed annually for the purpose of providing facilities for saving towards holidays are allowed such relief as will restrict the net income tax liability to tax on the proportion of liable income applicable to members having taxable income. Similarly, in the case of a thrift fund the relief allowable is such as will restrict the net income tax liability to tax on the amount of profits or interest paid or credited to members having taxable income. The tax is calculated at the reduced rates on income accruing to members liable only at those rates.

34. "Specially Authorised" Societies Registered under The Friendly Societies Act

The income tax exemption conferred by Section 39 (1), Income Tax Act, 1918, on a registered friendly society (i.e., a society registered under Section 8 (1) of the Friendly Societies Act, 1896) is also granted to a "specially authorised" society registered under Section 8 (5) of that Act if the only object of the society which precludes registration as a registered friendly society under Section 8 (1) is the provision of "provident benefits" within the meaning of Section 39 (2), Income Tax Act, 1918.

35. Registered Trade Unions

The exemption of registered trade unions under Section 39 (2), Income Tax Act, 1918, from income tax under Schedules A, C and D in respect of interest and dividends applicable and applied solely for the purposes of provident benefits is in practice extended to rents. It is also extended to interest, dividends and rents of any year in so far as they are actually applied to provident benefits within that year (although not "applicable solely" to such benefits).

SUR-TAX

1. Deduction for Mineral Rights Duty and Royalties Welfare Levy

Payments of Mineral Rights Duty and Royalties Welfare Levy are not allowable as deductions in computing total income for taxation purposes. For sur-tax purposes, however, for the years 1941-42 and on-

wards an individual whose income includes mineral rents and royalties is allowed a deduction, in computing his total income, in respect of Mineral Rights Duty or Royalties Welfare Levy borne by him on the rents, etc., receivable for that year. The deduction allowed in respect of Mineral Rights Duty is 1s. in the £1 of the gross mineral rents and royalties receivable (less any amount on which repayment of income tax in respect of management expenses has been made under Section 26, Finance Act, 1922); an additional 1s. in the £ is allowed for any Royalties Welfare Levy.

2. Administration of Estates: Deficiencies of Income Allowed Against Income of Another Year

Under Section 31, Finance Act, 1938, a person who has an absolute interest in the whole or part of the residue of the estate of a deceased person is treated, during the administration period, as entitled to the residuary income of the estate (i.e., the gross income less certain deductions, e.g., in respect of annuities payable) or to the appropriate proportion thereof. If for a particular year the deductions allowable are greater than the gross income of the estate, the excess is allowed as a deduction in computing the net income of the preceding or succeeding years.

ESTATE DUTY

1. Mourning

A reasonable amount for mourning for the family and servants is allowed as a funeral expense.

2. Duty Payable in Commonwealth Countries

Where no double taxation relief (under Section 20, Finance Act, 1894, or Section 54, Finance (No. 2) Act, 1945) is available in respect of duty payable in another part of the Commonwealth on property situated there, the duty is deducted from the capital value of the property in question in order to ascertain the value thereof chargeable with British estate duty. In strict law such a deduction is only admissible where the property is situated in a foreign country.

3. Roman Catholic Religious Communities

The property of Roman Catholic religious communities whose purposes are charitable is treated as trust property held for a charitable purpose even where there is no enforceable trust, with the result that estate duty is not claimed on the death of one of the nominal owners of the property.

4. Pensions, etc., to Police Widows and Dependants

Estate duty is not claimed on pensions and other payments made upon a police-

man's death to his widow or dependants under the Police Pensions Act, 1921, or the Police Pensions Act, 1948.

5. Surrender or Discharge of Legal Rights in a Scottish Estate

Where a surviving spouse or child within five years before his or her death unconditionally surrenders or discharges certain legal rights in a Scottish estate (*ius relictii, ius relictae or legitim*), estate duty is not claimed, although it could be claimed under the provisions of Section 45 (2), Finance Act, 1940.

6. Special Contribution Attributable to Gifts Inter Vivos

Where a death occurs before the end of the year 1947-48, Section 64, Finance Act, 1948, provides for a measure of relief from special contribution in respect of assets on which death duties are payable. Where the death occurs after 1947-48, Section 64 affords no relief, but if by reason of such a death estate duty becomes payable in respect of a gift *inter vivos* and the income from the gift has been taken into account in an assessment to special contribution on the donee, the proportion of the special contribution attributable to such income is allowed as a deduction against the value of the gift for estate duty purposes.

7. Loans to the Treasury Free of Interest

Certain British Government securities are exempt from death duties so long as they are in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom. In similar circumstances, exemption is allowed in respect of moneys loaned to the Treasury free of interest.

8. Valuation of House Owned and Occupied by the Deceased

The general rule of valuation of property for purposes of estate duty is to take the market value at the date of death.

(a) In the case, however, of a house owned and occupied by the deceased, where a near relative of the deceased who was ordinarily resident with him at the date of death remains in the house and has no other place of residence available, any increase in the market value above the pre-war value is disregarded in so far as it could only be realised by a sale with vacant possession. The valuation made on that basis would, however, be reviewed if the house were sold or let within a reasonable period of (say) two years after the death.

(b) In the case where a house to which the concession at (a) above has been applied is sold within two years of the death and the proceeds of sale are wholly utilised by the relative of the deceased in the purchase of another house for his

own occupation, the basis of valuation at (a) is not disturbed. Where, however, the proceeds are only partly so utilised, the second house costing less than the amount realised on the sale of the first house, estate duty is charged on the proceeds subject to a deduction to the extent to which the purchase price of the second house is attributable to the premium for vacant possession.

9. Value Payments under the War Damage Act, 1943

Where the payment of duty on value payments under the War Damage Act, 1943, is postponed under the terms of Section 6 (3), Finance Act, 1894, the taxpayer is given the option of paying duty either :

(a) on the statutory basis, viz., on the value at the deceased's death of the sum received, with interest on the duty from the date of death; or

(b) on the actual sum received, with interest on the duty from the date of receipt.

10. Inter Vivos Gifts to Charities

Where, at the donor's death, there is no existing fund which has been and continues to be directly benefited by the gift, the claim to duty is not pursued against the charitable institution.

11. Settled Funds: Allowance for, or Repayment of, Legacy or Succession Duty

Section 29 of the Finance Act, 1949, provides that where estate duty (at the new consolidated rate imposed by that Act) becomes chargeable for the first time on settled property by reason of its passing on the death of the life tenant, an allowance for any legacy or succession duty already paid on the capital value of the settled property shall be given against the charge of estate duty. It is a condition of relief that the property has not previously passed on the death, after the commencement of the Act, of a person not competent to dispose. In practice, this condition is treated as satisfied where the only previous passing under the settlement after the commencement of the Act was one on the occasion of which no estate duty was payable.

12. Property Held in Joint Tenancy, etc.

Property which is so disposed of as to be enjoyed by persons in succession on death, although technically it may not be "settled property" for estate duty purposes, is treated in the application of relieving sections as "settled property" where it is to the interest of the taxpayer so to treat it, e.g., property held in joint tenancy, or a Scottish entailed estate to the extent to which a life rent is imposed upon it.

13. Reversionary Interests

Technically these are "settled property," but in substance they are free estate in the reversioner and in the application of relieving sections they are, if it is to the interest of the taxpayer, so treated.

CORPORATION DUTY

1. Temperance Societies

Where the work of a Temperance Society is solely the propagation of temperance principles corporation duty is not claimed from it.

STAMP DUTIES

1. Stamp Allowance on Lost Documents

Allowance of the stamp duty on lost documents is made either by repayment, where replicas have been stamped, or by free stamping of the replicas.

2. Group Life and Pension Policies

Documents which assure to the members of a fluctuating body of unnamed persons (e.g., all the employees of a company) capital sums on death before retirement and/or pensions on retirement are assessed to stamp duty on the total at risk in one sum instead of on the individual amounts, no further duty being charged if a member withdraws without taking benefit and a new member enters in his place and takes a similar benefit.

3. Partial Release of Mortgage

The correct duty is 10s. deed duty, but *ad valorem* duty at 1s. per cent. is accepted if such duty be less than 10s.

4. Transfer and Reconveyance of Collateral Security

The correct duty is 1s. per cent. The practice is to limit the duty to 10s. if the transfer of the original security is duly stamped.

5. Cheques

The Stamp Act, 1891, exempts from stamp duty cheques used for pay and other purposes connected with H.M. Forces. The exemption is treated in practice as extending to cheques used for the purposes of Allied Forces in this country.

PROFITS TAX

1. Directors' Remuneration from Director-Controlled Companies

Rule 11, Fourth Schedule, Finance Act, 1937 (as amended by Section 45, Finance Act, 1947) provides that in the case of a director-controlled company the deduction to be allowed, in computing profits for profits tax purposes, in respect of the remuneration of the directors (other than whole-time service directors not owning or controlling more than 5 per cent. of the

ordinary share capital) is to be restricted to £2,500 per annum or 15 per cent. of the profits, whichever is the greater, up to a maximum of £15,000 per annum. Where a company is director-controlled for part only of a chargeable accounting period any disallowance of directors' remuneration is restricted to so much of the excess remuneration for the full period as bears the same proportion to the whole amount of the excess as the period of control in the chargeable accounting period bears to the full period.

Hospitals—Association of Chief Financial Officers

Since the Association of Chief Financial Officers in the Hospital Service in England and Wales was formed last June, its Council has held three meetings, at the last of which it was reported that a substantial majority of chief financial officers had become members.

The Council of the Association is supported by fourteen branches, one in each regional area in England and Wales, where monthly meetings are held for the discussion of financial matters connected with the hospital service.

Counsel's Opinion has been sought on the position of hospital authorities regarding the centralisation of accounting. At the request of the Ministry of Health, the Association has submitted a memorandum on the reconciliation of the net expenditure of hospital authorities with the cash issues of the Ministry's Parliamentary vote. The Council has also advised that the accounts of hospital authorities should continue to be maintained on an income and expenditure basis.

The Council is consulting with other bodies and has appointed four members to meet representatives of the Institute of Municipal Treasurers to confer on matters of common interest.

The Ministry of Health has stated that the facilities for consultation provided by the Association will not be forgotten when the financial regulations under the National Health Service are revised. In the meantime, a sub-committee of the Association has been formed to review the existing regulations and to draft model standing orders relating to finance committees.

The Association has represented to the Ministry that the appointment of Chief Financial Officer should be independent of any other appointment and that the designation "Chief Financial Officer" as laid down in the regulations should be substituted for "Finance Officer" wherever that title is now used.

The Association has also made representations about the statistical information required by form S.H.3 and similar forms.

The Central Health Services Council has invited the Association to give evidence before the Committee appointed to consider the internal administration of individual hospitals. The Council, in reply to a questionnaire, has emphasised the financial aspects of hospital administration.

The Council is also examining the procedure and form of estimates, upon which recommendations may be made to the Ministry.

The Student's Tax Columns

TOTAL INCOME AND DEDUCTION OF TAX AT SOURCE

THE TERM "TOTAL INCOME" IN RELATION TO ANY PERSON means the aggregate income of that person estimated in accordance with the provisions of the Income Tax Acts. In a normal case it will comprise the following :

- (A) (a) The net annual values of all properties owned (or the rent received where that is less).
- (b) Excess rents where applicable (these are assessed under Case VI of Schedule D).
- (B) One-third of the gross annual value of land not used for husbandry and therefore assessed under Schedule B.
- (C) All dividends and interest receivable under deduction of tax in the year of assessment (gross amounts).
- (D) (a) The assessments on business profits (normally based on the accounts ended in the preceding year).
- (b) All assessments under Cases III, IV and V (normally based on the previous year's income).
- (c) Any Case VI assessments (in addition to those mentioned in (A) (b) above).
- (E) The assessments on salaries, etc., under Schedule E (the actual income of the year of assessment).

From the total of the above must be deducted any annual payments, National Insurance contributions, bank interest, etc., of the year of assessment.

It will be seen, therefore, that all assessments of the year and the income receivable under deduction of tax in the year are added together, and annual payments, etc., deducted.

The result is commonly termed the "statutory total income," since it is a sum total diminished by certain deductions.

The statutory total income is an important amount. If in the case of an individual it exceeds £2,000, he is liable to sur-tax on the excess on a graduated scale ranging from 2s. in the pound on the first £500 of the excess to 10s. 6d. in the pound on all income in excess of £20,000. Moreover, life assurance relief is not given on premiums in excess of one-sixth of the total income ; if the statutory total income is less than the earned income (owing to deduction of annual payments, etc.) the earned income allowance can be had only on the lower figure ; total allowances cannot exceed the statutory total income, and so on. And, as will be seen below, there is an importance in the deductions allowed in arriving at "total income."

However, annual payments are not allowed as deductions in computing the income tax payable (as distinct from sur-tax payable). Income tax must be paid on the various assessments ; how the taxpayer recoups himself for the tax on annual payments will now be explained.

DEDUCTION OF TAX AT SOURCE

The question of deduction of tax from annual payments is dealt with in the General Rules applicable to all Schedules (Income Tax Act, 1918).

General Rule 19 authorises the payer of any yearly interest, annuity, patent royalty or other annual payment, to deduct income tax and keep it to make up for the fact that he has had to pay income tax on his income without

any reduction for the annual payment. This is a most important point, and can be illustrated very simply, as the following example shows :

Example

A company started business on April 6, 1950. In the year to April 5, 1951, it made a profit, before charging debenture interest, of £3,500. It owned its own premises, assessed at a net annual value of £400.

Debenture interest paid in the year was £600.

The company must pay income tax on :

| | | | | | |
|--|----|----|----|---|-------|
| Net annual value £400 at 9s. | .. | .. | .. | £ | 180 |
| Schedule D, Case I assessment, £3,500 at 9s. | .. | .. | .. | £ | 1,575 |
| Total income tax paid .. | .. | .. | .. | £ | 1,755 |
| But when it pays its debenture interest it deducts : | | | | | |
| £600 at 9s. and keeps it .. | .. | .. | .. | £ | 270 |
| So bearing tax amounting to .. | .. | .. | .. | £ | 1,485 |

As the real income of the company is £400 + £3,500 - £600 = £3,300, tax on which at 9s. is £1,485, this puts the matter right.

The company has really collected the tax for the Revenue, and prevented avoidance by the debenture holders. The latter must include in their total income the gross interest, but take credit for having paid the tax already. General Rule 21 picks up the positions where the annual payment is not made out of "profits brought into charge to tax," i.e., exceeds the income available. It would never do to have tax deducted from part of an annual payment only. So Rule 21 says that the tax *must* be deducted from the excess and paid over, on a special assessment, to the Revenue.

Example

A company has an income of £200 (before deduction of debenture interest), but pays debenture interest of £360.

The company will pay income tax :

| | | | | | |
|---|----|----|----|---|-----|
| On the £200 in the ordinary way, at 9s. | .. | .. | .. | £ | 90 |
| On 160 in a Rule 21 assessment .. | .. | .. | .. | £ | 72 |
| £360 at 9s. | .. | .. | .. | £ | 162 |

All this will be recouped from the debenture holders, who will be paid £360 - £162 = £198.

The practical application of the Rules in question must be observed carefully. The total income before deduction of annual charges comprises many sources, the income from which, being assessed on a "statutory" basis, is not the actual income arising in the year of assessment. That does not matter : the assessment is, for all income-tax purposes, treated as the income of the year of assessment, and it is with the total income of the year of assessment (before deduction of charges) that the annual charges must be compared to see whether General Rule 19 or General Rule 21 applies.

Annual payments debited in a profit and loss account

are therefore added back in computing the profits for income-tax purposes; these profits will normally form the basis of assessment for the next year of assessment. But the annual charges paid in the year of assessment are compared with the income of that year, not of the year for which the profits, which include the amount added back, form the basis of assessment.

Example

A company making up its accounts to April 5 had the following profits:

| Year to April 5 | 1948 | 1949 | 1950 | 1951 |
|---|------|------|------|--------|
| | £ | £ | £ | £ |
| Net profits | 500 | 800 | 150 | 700 |
| Add back debenture interest debited on arriving at the net profits .. | — | 350 | 550 | 550 |
| Adjusted profits .. | £500 | £450 | £700 | £1,250 |

| Assessments | 1948/49 | 1949/50 | 1950/51 |
|--|---------|---------|---------|
| Sch. D., Case I (previous year's profits) | £ 500 | £ 450 | £ 600* |
| Debenture interest paid: | | | |
| Covered by Rule 19 .. | 350 | 450 | 550 |
| Not covered by Rule 19, therefore assessed by Rule 21 .. | | 100 | |

* As will be seen later, the Rule 21 assessment (if laid out wholly and exclusively for the purposes of the trade) can be deducted from the next assessment(s) as if it were a loss, subject to a six years' time limit.

In the case of an individual, it is important to note that annual payments are regarded as paid first out of unearned income, so as to preserve the earned income allowance as far as possible.

Example

An individual has the following income, etc., for 1950/51:

| | | |
|--|---------------|-----------|
| Schedule A | £ 200 | |
| Business profit (Case I assessment) 500 | | £ |
| | 700 | |
| Less Annual payments | 280 at 9s. | 126 0 0 |
| | 420 | |
| Earned income allowance, $\frac{1}{2} \times £420$ | 84 | |
| Personal allowance | 180 | |
| Children | 120 | |
| | 384 | |
| | 36 at 2s. 6d. | 4 10 0 |
| Tax payable | | £130 10 0 |

This emphasises the phrase so often heard that "annual payments must be kept in charge to tax."

The assessment on the business would be as follows:

| | |
|---------------------------|---------|
| Business profits | 500 0 0 |
| Allowances as above | 384 0 0 |
| | 116 0 0 |

| | |
|----------------------|--------|
| £36 at 2s. 6d. | 4 10 0 |
| 80 at 9s. | 36 0 0 |

| | |
|--------------------------------------|--------|
| Collected from business | 40 0 0 |
| Sch. A. assessment £200 at 9s. | 90 0 0 |

| | |
|--------------------|-----------|
| Tax as above | £130 10 0 |
|--------------------|-----------|

It will be seen that the annual payment is set first against Schedule A (being unearned income), leaving the balance of £160 to go against Schedule D, Case I. Tax is collected at the standard rate on £200 under Schedule A and on £160 under Schedule D. No allowances can be given against that portion of the income.

The following setting off of annual payments and allowances should be noted:

| | Keep in charge In- to cover come annual pmts. | E.I.A. | P.A. | Child A. | 2/6 | 5/- | S.R. |
|------------------------|--|--------|------|----------|-----|-----|------|
| | £ | £ | £ | £ | £ | £ | £ |
| Sch. A. .. | 50 | 50 | | | | | |
| Int. on War Loan .. | 35 | 35 | | | | | |
| Dividend .. | 100 | 100 | | | | | |
| Business assessment .. | 700 | 15 | 137* | | | | |
| Sch. E. assessment .. | 400 | | 80 | 180 | 60 | 50 | 30 |
| | 1,285 | 200 | 217 | 180 | 60 | 50 | 200 |
| | | | | | | | 378 |

* On £700 — £15 = £685.

| Assessments | Sch. D. | Sch. E. |
|-------------------|----------|---------|
| | £ | £ |
| E.I.A. | 137 | 80 |
| P.A. | | 180 |
| C.A. | | 60 |
| | 137 0 0 | 320 0 0 |
| | £563 0 0 | £80 0 0 |
| £50 at 2s. 6d. .. | | 6 5 0 |
| £30 at 5s. | | 7 10 0 |

| | |
|-------------------|----------|
| £170 at 5s. | 42 10 0 |
| £393 at 9s. | 176 17 0 |
| | £219 7 0 |
| | £13 15 0 |

| Summary | £ |
|------------------------------------|---------|
| Sch. A, £50 at 9s. | 22 10 0 |
| Sch. D, Case III, £35 at 9s. | 15 15 0 |
| Sch. D, Case I | 219 7 0 |
| Sch. E. | 13 15 0 |

| | |
|---|---------|
| Tax paid on assessments | 271 7 0 |
| Tax paid by deduction from dividend, £100 at 9s. .. | 45 0 0 |

| | |
|--|---------|
| | 316 7 0 |
| Tax recouped on annual payment, £200 at 9s. .. | 90 0 0 |

| | |
|-----------------|----------|
| Tax borne | £226 7 0 |
|-----------------|----------|

That is the tax as shown in the table, viz. :

| | | | | | | |
|-----------------------------|----|----|----|------|---|---|
| Kept in charge, £200 at 9s. | .. | .. | .. | 90 | 0 | 0 |
| £50 at 2s. 6d. | .. | .. | .. | 6 | 5 | 0 |
| £200 at 5s. | .. | .. | .. | 50 | 0 | 0 |
| £378 at 9s. | .. | .. | .. | 170 | 2 | 0 |
| Borne | .. | .. | .. | £226 | 7 | 0 |

Set out another way the computation becomes :

DEDUCTION OF TAX FROM DIVIDENDS

This is an entirely different matter, to which General Rules 19 and 21 have no application at all. General Rule 20 applies (as amended several times). It says that in computing profits, no deduction shall be made for dividends paid, but the company can deduct (and keep) tax when paying the dividends. If the tax deducted exceeds the tax paid in the year, the company still keeps it. The Rule will be dealt with more fully later.

| | £ | Total £ | Sch. A £ | Sch. D, Case I £ | Sch. D, Case III £ | Sch. E £ |
|---|-----|-------------------|--------------|---------------------|-----------------------|-------------|
| Property | ... | 50 0 0 | 50 0 0 | | | |
| Interest | ... | 35 0 0 | | | 35 0 0 | |
| Business | ... | 700 0 0 | | 700 0 0 | | |
| Salary | ... | 400 0 0 | | | | 400 0 0 |
| Dividend | ... | 100 0 0 (tax £45) | | | | |
| | | 1,285 0 0 | | | | |
| Less Annual charges | | 200 0 0 (tax £90) | | | | |
| | | 1,085 0 0 | | | | |
| E.I.A. | ... | 217 | | 137 0 0 | | 80 |
| P.A. | ... | 180 | | | | 180 |
| Child A. | ... | 60 | | | | 60 |
| | | 457 0 0 | | | | 320 0 0 |
| | | £628 0 0 | £50 0 0 | £563 0 0 | £35 0 0 | £80 0 0 |
| At 2s. 6d. | ... | 50 6 5 0 | | | | (50) 6 5 0 |
| At 5s. | ... | 200 50 0 0 | | (170) 42 10 0 | | (30) 7 10 0 |
| At 9s. | ... | 378 170 2 0 | (50) 22 10 0 | (393) 176 17 0 | (35) 15 15 0 | |
| Borne | ... | 226 7 0 | | | | |
| Add excess of tax deducted from charges on that on dvs. | ... | 45 0 0 | | | | |
| Paid direct... | ... | £271 7 0 | £22 10 0 | £219 7 0 | £15 15 0 | £13 15 0 |

Censuses of Production

All producing units, including builders and contractors, will be included in the Census of Production to be taken in 1952, covering the year 1951. The form of return will include questions on (1) working proprietors, (2) employment, (3) wages and salaries, (4) plant, machinery and vehicles, (5) new building work, (6) power equipment and fuel usage, (7) shift working, (8) materials and fuel purchased, (9) work

given out, (10) stocks at the beginning and end of the year, (11) output and (12) transport payments. Only the year's total will be required under heading (3), not quarterly figures, as in the 1949 census.

Under heading (11) simplified and shortened lists of products for which sales are to be shown are being sent to Trade Associations for comments. Details of the census forms will also be sent to them soon.

In drawing up forms and instructions, the Census Office is advised by a committee on which there sit a number of industrialists and one accountant, Mr. W. E. Parker, C.B.E., F.C.A.

A census is also being taken this year, covering 1950. Exempted from this census are builders and contractors, civil engineers, and producers of coal, gas, electricity, oil shale, crude or refined petroleum, and shale oil products.

Publications

INTRODUCTION TO ENGLISH LAW. By P. S. James. (Butterworth & Co. (Publishers), Ltd., London. Price 12s. 6d. net.)

This book is intended primarily to give a general view of the law to students in the early stages of their study, whether that be for a university or for a professional examination. The author, a practising barrister who was formerly a law tutor at Oxford, is admirably qualified to carry that intention into effect. As he clearly sees, the main difficulty in writing a book of this kind is that of selection. Though, of course, no special emphasis has been laid upon those branches of the law that particularly interest students in accountancy, they should find the book a very good introduction to their more specialised studies. They will be greatly helped by the fact that Mr. James does not assume any previous knowledge. A text-book on law must start on the very first page with propositions that can only be fully understood after considerable reading, but through an ingenious system of cross-references the reader can elucidate points which tend to cause difficulty at first sight; nevertheless, it is wise advice by the author that the book should first be read through as a whole.

What impression will be left by a first reading? Summaries such as this often tend to be nothing but a series of legal rules impossible to memorise in detail and leaving no coherent picture in the reader's mind. There are some pages in the book which do not rise above this level but, on the whole, by relating the details to general principles and to historical origins and by vivid discussions of a few important cases, the author gives his work both unity and interest. Great trouble has obviously been taken to ensure that an up-to-date view of the law is presented. There is a separate chapter on state responsibility with special reference to the rise of the welfare state and there are shrewd touches on the inroads made, for example, by the Town and Country Planning Act, 1947, on the old conception of the sanctity of property. It is hardly necessary to add that the book is accurate throughout.

A. P. F.

SETTLEMENTS AND INCOME TAX. By A. F. Bromige. (Taxation Publishing Co., Ltd., London. Price 15s. net.)

With the increasing complexities of income tax law and practice it is becoming more and more usual to find books wholly devoted to some special aspect of taxation. This little book is an able and lucid exposi-

tion on a subject which causes a good deal of worry and perplexity to the average practising accountant.

Mr. Bromige has confined the scope of his book to an explanation of the provisions of the Finance Acts of 1922, 1936, 1938, 1943 and 1946, whereby income is deemed for tax purposes to be that of the settlor, and has not dealt with the taxation position arising out of settlements where the income is treated normally as that of the beneficiary.

After an opening chapter devoted to consideration of the general nature and effect of the legislation, the author gives a detailed résumé, Section by Section, with parallel notes on the case law applicable and a précis of the effect of each Section. This arrangement may not commend itself to all tastes, and as the legislation is reproduced in full in the appendix and much of it also appears in later chapters of the book, where it is discussed in detail, it follows that the Sections concerned appear, either in the actual wording of the Acts or in the author's paraphrased version, three times within the course of the book. On the whole it might have been more satisfactory to have relegated the contents of the second chapter to the appendix and there shown the simplified version (which newcomers to the subject will doubtless welcome) side by side with the reprint of the actual Sections concerned and the relative notes on case law.

Chapters three to five are devoted to a detailed consideration of the provisions which affect settlements made on or after April 10, 1946, grouping the discussion of the Sections concerned into those which operate because of some particular provision in the settlement and those which become operative in the event of some particular method of application of the income. A further chapter follows in which consideration is given to the Sections affecting settlements made before April 10, 1946. In the final chapter the author touches briefly on the tax adjustments between settlor and beneficiary which can be claimed when certain of the Sections are invoked, and outlines the provisions of the 1943 Act dealing with settlements where there are two or more settlors.

Few Sections of our Finance Acts have yielded a richer harvest of cases taken to the Courts than these, and the detailed references in the book to the more important cases and the extracts from the judgments reproduced are both interesting and enlightening.

The book is moderately priced (for these

days), is attractively produced and is one which any practising accountant will find of value on his bookshelf.

J. R. P.

BOOKS RECEIVED

PROBATE AND ESTATE DUTY PRACTICE. By the late Edgar A. Phillips, O.B.E., LL.B. Second (Cumulative) Supplement to the fourth edition. (*The Solicitors' Law Stationery Society, Ltd.* Price 5s. net.)

GREEN'S DEATH DUTIES. Third (Cumulative) Supplement by H. W. Hewitt, LL.D. (*Butterworth & Co. (Publishers), Ltd., London.* Price 7s. 6d. Main work and supplement £2 15s. net.)

Letter to the Editor

Goodwill

SIR,—I read with great interest the article on the valuation of goodwill contained in the January, 1951, issue of *ACCOUNTANCY* (page 11). The author states under the sub-heading "Adjustments to Past Profits (e)": "eliminate all charges for taxation."

In my opinion, the charge for profits tax should not be entirely eliminated from the profits. In *Re Ollivant's agreement* it was decided that excess profits tax was a charge against profits; this principle also seems to be accepted as regards profits tax. I suggest that this case is relevant in considering what adjustments should be made to the profits for the purpose of valuing goodwill, in view of the fact that it has been judicially decided that excess profits tax and presumably also profits tax are not appropriations of profit.

If one regards goodwill as being the right to the future super-profits, then it would appear that profits tax, which was surely designed to reduce the super-profits made out of the post-war boom, is a charge against those profits. Taking things to their logical conclusion, if a purchaser is asked to pay for goodwill (that is, the right to the super-profits which are largely taken away by profits tax) he is in effect being asked to pay for the doubtful privilege of paying profits tax!

I would therefore venture to suggest that, broadly speaking, profits tax is a charge against profits for the purpose of valuing goodwill, but that where a "distribution charge" has been made some adjustment is necessary and the distribution charge should be added back, in order that the true trend of profits after charging profits tax based on each year's profits may be obtained.

Yours faithfully,

J. A. HAMER, A.S.A.A.

Manchester,

January 9, 1951.

The Month in the City

A General Rally

IN THE CLOSING DAYS OF THE OLD YEAR AND the opening ones of the new the stock markets were under the influence of hopes of a *detente* in the international situation. So far as the general value of securities was concerned, this influence was fortified by the carrying over from the earlier period of strain of a virtual ban on new issues. These factors, coupled with the usual new year reinvestment, sufficed to bring a rather widespread recovery in prices without any really marked improvement in the volume of business. By the middle of January the whole of the December loss in industrial Ordinary shares and a substantial part of that in fixed-interest securities had been made good, while gold shares had gone ahead well and risen to the level prevailing in early October. The following table shows the various indices of the *Financial Times*:

| | Jan. 22 | Dec. 21 | Jan. 23 |
|----------------------|---------|---------|---------|
| | 1951 | 1950 | 1950 |
| Fixed Interest | 122.95 | 122.80 | 120.56 |
| Govt. Securities | 107.08 | 106.96 | 104.57 |
| Industrial Ordinary | 119.5 | 115.6 | 103.4 |
| Gold Mines (general) | 116.07 | 108.32 | 130.89 |

It will be noted how much better equities did during the year than fixed-interest stocks and with what restraint the stock markets have evaluated actual achievement of gold mines.

The second week in the new year brought the resumption of equity issues, followed after a few days by the offer of the first trustee stock, the Kenya loan. This stock, which was heavily "staged," marked the opening of a new issues season. It is likely to be a short season, however, which will be halted with the approaching issue of Steel stock. Meanwhile, the indications are that, whatever may happen in Korea, the British rearmament effort will accelerate. The main question is whether the drive will be restricted to some switch in industrial production and some increase in the armed forces or whether there will also be a large-scale re-stocking programme, which would mean that total outlays would be stepped up much more rapidly than otherwise.

"New Time" Dealings

Last month there was a development in the stock markets of a technical character, namely, the re-institution of dealing for "new time." In pre-war days it was possible to buy or sell at any time not only for the account then current but for any future account. This facility was swept

away when all dealings were for cash, and it was not until the closing days of last month that the Council decided to restore even limited facilities of the kind. As from January 11 it is possible for people to deal for the succeeding account on the last four business days of the old account. This can scarcely be said to be a great extension of the facilities for speculation. Its more important effects are that it should improve the market both in the closing days of the old account and in the opening ones of the new. What it probably means is that any member of the public is now free to participate in adjustments as between one account and the next which must have been necessary if, under the old system, brokers' clients wished to sell or buy on the last dealing days of an account. The actual experience of the first re-institution of this facility was not altogether happy. The margins charged by jobbers for dealing for new time varied between about $\frac{1}{2}$ per cent. and 12 per cent., and even the former is high compared with pre-war practice. Evidently, however, if there is much demand for the facility such extravagant demands will soon disappear, for they would clearly make it unprofitable for the public to deal.

The Banking Year

The figures of the London clearing banks show that, although the average level of deposits was scarcely higher in 1950 than in 1949, disclosed earnings rose considerably more than in the earlier period. There was again a fall in the profit of the *Midland Bank*, due probably to the setting up of an internal pension fund, but all the other clearing banks showed increased profits. Dividends are, of course, unchanged. Probably the rise in real earnings was greater than the published figures indicate, and of the latter a much higher proportion was placed to free reserves than a year ago. The reason for the improvement is not hard to find. It lies in the expansion in advances, in the absence of any need for more than the most modest provision for bad debts, in an expansion in a number of services arising from the somewhat greater freedom of trade, in the transfer to private enterprise of some Government activities and in the better standing of sterling in the international markets. Against these factors are to be set the fall in the volume of Government borrowing and a switch from Treasury Deposit Receipts to the slightly less profitable Treasury Bill, and the rise in costs continues. One particular requirement of some

previous years, providing against a fall in stock values, was absent: it is certain that inner reserves were increased last year, whereas in 1949 there was a draft on them.

The Bankers' Outlook

So much for the mere mechanics of the year, but what of the underlying developments? It is already clear from the addresses of bank chairmen so far delivered, that they regard the outlook with very considerable uneasiness, less, of course, from the standpoint of the banks as profit-making entities than from that of national prosperity and their ability to contribute to it. Clearly some part of the expansion in advances last year was due to greater trade activity. But a larger portion arose from the rise in prices and still more from the exhaustion of industry's resources caused by rising costs and over-heavy taxation. The banks are called upon to provide circulating capital for the finance of stocks at prices which appear exaggerated, and there is every reason to suppose that, whatever may happen to some individual commodities, costs will in general continue to rise unless really effective means are found to control inflation. The solution proposed by the bankers is a combination of the most careful examination of all Government outlays with economy by the mass of the people and a determination to step up production by all available means—in particular by the abandonment of restrictive practices and by greater individual effort. In every address so far given mention has been made of the great improvement in our trade position and in our gold and dollar reserves, but the bankers are insistent that many of the factors which brought about the better showing are—or may well be—transient. They urge that it is essential to combat inflation and to find some means of combining full employment with maximum productivity.

Iron and Steel Arbitration

Rules have been laid down for arbitration proceedings under the Iron and Steel Act, 1949 (other than Scottish proceedings). They are contained in the Iron and Steel Arbitration Rules, 1950. Proceedings are to be commenced by filing a written application at the office of the Arbitration Tribunal (Room 85, Queen Anne's Chambers, 28, Broadway, London, S.W.1). The application, which is to be in the form of Form 1 of the Rules, is to be signed by the applicant or his solicitor or, in the case of a company, by the secretary or other appropriate officer. Any party to the proceedings (not being a company), a barrister or solicitor acting for any party, and any other person by leave of the Tribunal may address the Tribunal in any proceedings.

Points from Published Accounts

Footnotes to the Accounts

Accompanying the report of *H. J. Baldwin* is a "Statement of information including information to be disclosed under the provisions of the Companies Act, 1948 (referred to as 'Statement A' in auditors' report)." This contains sixteen notes, all germane to the accounts, and it has the auditors' certificate that "The accounts together with the statement marked 'A' attached hereto give in the required manner the information required by the Companies Act, 1948." But earlier on the auditors' certificate contains the proviso "... subject to the opinions of the directors as expressed in paragraphs 14, 15 and 16 of statement 'A' being correct." These paragraphs are reproduced as they may be of general interest:

14. The advances of £14,931 to two associated companies for goods to be supplied, to which last year special reference was made by the auditors, have been reduced to £6,585 by these companies having maintained steady deliveries. This has increased the stocks of *H. J. Baldwin and Company Limited* of these goods at March 31, 1950, to £17,485. The directors are of opinion that the arrangement which continues in force assures full repayment of the balance, and that the stock, being only a normal requirement, should be satisfactorily liquidated in the winter months during which these goods are in continuous demand.

15. The balance sheet includes an advance and an investment totalling £44,496 in a company manufacturing highly specialised electrical transmission equipment. Since March 31, 1950, the remaining 520 £1 shares

of the issued capital have been acquired at par making the company a wholly owned subsidiary. Since incorporation in two years' trading the company has incurred trading losses which amounted to £14,556 at March 31, 1950. The directors are of opinion that these losses, which they had anticipated, are a natural result of the development period and that they will be recovered in future trading.

16. The balance sheet includes a trade investment of £20,000 which at March 31, 1950, had little value. For the time being the directors have transferred £20,000 from general reserve to contingencies reserve in respect of this item. In the opinion of the directors, negotiations commenced last year and recently concluded will result in considerable benefits for a period of years to the company concerned and to *H. J. Baldwin and Company Limited*, and they also consider that this participation would not have been possible and the negotiations so satisfactorily concluded had any part of this investment been disposed of as originally intended.

Opinions Differ

While it is not unusual to find auditors at variance with directors on the contents of accounts it is rare, indeed, that an auditors' conventional certificate appears to be inconsistent with a statement made by the Board. This is what has happened with *British Burmah Petroleum*, whose report begins:

The directors regret that several important factors are so undetermined and uncertain as to make it impossible to set out positively in figures the real position of the company as at March 31, 1950.

The auditors, however, consider that the accounts give "a true and fair view." It is, of course, impossible to evaluate the risks in Burma, or the merger arrangements with the two other British oil companies in Burma that are under discussion, or the compensation that will be received from H.M. Government. Extraordinary factors such as these surely cannot be ignored. The inconsistency could perhaps have been killed by the more generous use of appropriate footnotes.

Showing Dividends Gross

The chairman of *Crompton Parkinson* remarks on a change in the profit and loss account "which enables you to see clearly how much of the profit taken to account by the parent will remain to be carried forward. . . ." As the *Investors' Chronicle* recently remarked, the change has that effect, but as the company adheres to the minority practice of showing dividends at their gross amount, shareholders will have to work out the cost of their dividends less taxation if they wish to place the cover in perspective.

It may be contended that it does not matter if dividends are shown at their gross or net amount. If the shareholder can compare like with like, and is not misled into comparing gross dividends (chalk) with net retentions (cheese), then on one point the critics are silenced. The accompanying reproduction shows how *Town Investments* deals with taxation and its appropriation accounts. The method is not one we have come across before, but it does allow Ordinary shareholders to compare gross dividend requirements with gross available profits. It will be observed that the aggregate amounts brought in and carried forward are omitted.

APPROPRIATIONS OF THE BALANCE (SHOWN OPPOSITE) APPLICABLE TO THE ORDINARY SHARE CAPITAL OF TOWN INVESTMENTS, LTD.

| | £ | £ | | £ | £ |
|---|--------|----------|---|--------|----------|
| Income Tax on Total Profits for the year .. | 71,808 | | Total profits for the year subject to profits tax and income tax | | 196,442 |
| Less: Tax deducted or deductible from dividends paid and proposed and outside shareholders' proportion of the profits | 38,065 | | Less: Profits tax | | 37,001 |
| | | | | | 159,441 |
| | 33,743 | | Less: Proportion applicable to outside shareholders in subsidiary companies | 7,591 | |
| Less: Provisions no longer required .. | 2,066 | 31,677 | Dividend, subject to deduction of income tax, on the Preference share capital of Town Investments, Ltd. | 21,910 | 29,501 |
| Ordinary dividends paid and proposed, subject to deduction of income tax .. | | 55,088 | | | |
| Balance carried forward and added to unappropriated profits in reserve in the balance sheet:— | | | Balance applicable to the Ordinary share capital of Town Investments, Ltd. .. | | 129,940 |
| Subsidiary Companies | 14,222 | | | | |
| Town Investments, Limited | 28,953 | 43,175 | | | |
| | | | | | |
| | | £129,940 | | | £129,940 |

Legal Notes

Private Company—Rights of majority and minority shareholders.

In **Greenhalgh v. Arderne Cinemas, Ltd.** (1950, 2 A.E.R. 1120) the Court of Appeal has thrown useful light on the law governing the rights of majority and minority shareholders. The full facts of the case were complicated, but the main point was this:—A., Ltd., was a private company under whose articles of association a member wishing to transfer shares had to offer them first to other members at a fair price fixed in accordance with the articles; if no member was willing to buy, then the shares could be transferred to an outsider, but the directors had power to refuse to sanction any particular transfer. M., who held a controlling interest in the company, made an agreement with S., an outsider, under which S. agreed to buy M.'s shares, and offered to buy the shares of any other person, at a price which exceeded a fair price fixed in accordance with the articles. To give effect to this agreement M. secured the passing of a special resolution which altered the articles by providing that, with the sanction of an ordinary resolution of the company, any member could transfer his shares to any outsider and the directors would be bound to register any such transfer.

The plaintiff, one of the minority shareholders, complained that this special resolution constituted a fraud upon the minority—that it was not passed *bona fide* and in the interests of the company as a whole. The Court reviewed the authorities and said that two principles plainly emerged from them. First, the phrase "*bona fide* and in the interests of the company" meant not two things but one. It meant that the shareholder must proceed on what, in his honest opinion, was for the benefit of the company as a whole. Second, the phrase "the company as a whole" did not, in such a case as this, mean the company as a commercial entity as distinct from the corporators; it meant the corporators as a general body. If a transaction discriminated between the majority and minority shareholders so as to give the one an advantage of which the other was deprived, then it could be impeached. Where, however, as in this case, an outsider offered to buy all the shares and the minority shareholders were left with the choice either of selling on the same terms as the rest or of staying in,

then the transaction could not be impeached merely because the majority shareholders, in voting for acceptance of the offer, were considering the position of themselves as individual persons.

The Court also considered another point raised by the plaintiff, that the special resolution deprived him of his right under the articles to buy up at a fair price all shares offered for sale by other members. They said that a man who comes into a company is not entitled to assume that the articles will always remain in a particular form. He cannot object if the articles are altered in such a way that there is no discrimination between the members in the way already indicated. In this case there was no unfair discrimination and the special resolution was valid.

Donatio mortis causa—Sufficiency of bank deposit books as indicia of title.

The *donatio mortis causa* holds a somewhat anomalous position in English law and is not illumined by much authority. The important judgment of the Court of Appeal in **Birch v. Treasury Solicitor** (1950, 2 A.E.R. 1198) dealt with three questions. The first (a) was whether there was a sufficient "delivery" to the plaintiffs of the subject matter of the alleged gift to support a *donatio*. The second (b) was: whether there was the requisite *animus donandi*, having regard especially to acts done after the delivery. The answers to these questions depended upon an exact consideration of the facts and were given in favour of the plaintiffs. The subject matter of the gift consisted of bank balances held by the deceased with the Post Office Savings Bank, the London Trustee Savings Bank and on deposit with two joint stock banks, and it was the bank books that were delivered, the bank balances themselves, of course, being choses in action and incapable of physical delivery. The third question (c) was: were the bank books such indicia of title as are necessary to constitute a valid *donatio mortis causa* of choses in action?

In regard to the balance with the Post Office Savings Bank the defendant conceded that the bank book was a sufficient

indicium of title on the authority of *Re Weston* (1902, 1 Ch. 680). But he relied both on that case and on *Delgoffe v. Fader* (1939, 3 A.E.R. 682) in his submission that the other documents failed to satisfy one, if not both, of the following essential conditions: (a) production and delivery of the document must be essential to the recovery of the chose in action and (b) it must contain all, or all the essential, terms of the contract out of which the chose in action arises.

The Court held that condition (b) did not have to be fulfilled. The real test was whether the instrument delivered was the essential evidence of title, possession or production of which entitled the possessor to the money or property purported to be given. On the fact of the case they found that each of the three bank books was such evidence and accordingly there was a valid *donatio* of the balances.

Bankruptcy—Formal defect in bankruptcy notice.

In **re a Debtor (No. 21 of 1950)** (1950, 2 A.E.R., 1129) two of the three copies of a bankruptcy notice had been correctly headed "In the Windsor County Court," but the third, which was the one actually served on the debtor, had been marked by mistake "In the Redhill County Court," although it had been stamped with the stamp of the Windsor County Court. As a result of the bankruptcy notice a receiving order was made against the debtor and he now claimed to have the receiving order set aside on the ground that the bankruptcy notice was bad.

By Section 147 (1) of the Bankruptcy Act, 1914:

no proceeding in bankruptcy shall be invalidated by any formal defect or by any irregularity, unless the court before which an objection is made to the proceeding is of opinion that substantial injustice has been caused by the defect or irregularity, and that the injustice cannot be remedied by any order of the court.

Harman, J., held that the defect was not merely formal and that the error could not be cured by amendment; he could not, however, find any real evidence that an injustice had been done and, apart from authority, he would have been inclined to hold that the error could be overlooked. His lordship, however, felt himself bound to follow the earlier cases and in particular *Re Evans* (1931, B. & C.R. 48) where a bankruptcy notice issued out of a County Court had been headed "In the High Court of Justice." Danckwerts, J., agreed. Accordingly they decided that the notice was bad and that the receiving order should be rescinded.

THE SOCIETY OF Incorporated Accountants

EVENTS OF THE MONTH

FEBRUARY 1

Bradford: "Valuation of Goodwill," by Mr. W. W. Bigg, F.C.A., F.S.A.A. Liberal Club, Bank Street, at 6.15 p.m.

FEBRUARY 2

Birmingham: "Elements of English Law," by Mr. C. L. Lawton, M.Sc., Barrister-at-Law. Law Library, Temple Street, at 6.15 p.m.

Hull: "Local Government Finance," by Mr. C. H. Pollard, O.B.E., F.S.A.A. Arranged by Students' Section. Church Institute, Albion Street, at 6.15 p.m.

Wolverhampton: "Valuation of Goodwill," by Mr. W. W. Bigg, F.C.A., F.S.A.A. Molyneux Hotel, North Street, at 6.15 p.m.

FEBRUARY 5

London: "Executorship Apportionments," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A. Arranged by Students' Society. Hall of the Chartered Auctioneers' and Estate Agents' Institute, 29, Lincoln's Inn Fields, W.C.2, at 6 p.m.

Middlesbrough: "Group Accounts," by Mr. A. E. Langton, LL.B., F.C.A., F.S.A.A. Café Royal, Linthorpe Road, at 6.30 p.m.

FEBRUARY 6

London: Punched card accounting machines demonstration. British Tabulating Machine Co., Ltd., 17 Park Lane, W.1, at 6 p.m. Arranged by the Students' Society. Attendance restricted to 50 persons.

Newcastle-upon-Tyne: "Group Accounts," by Mr. A. E. Langton, LL.B., F.C.A.; F.S.A.A. Library, 52, Grainger Street.

FEBRUARY 7

Leeds: Joint meeting. Lecture by Professor A. M. Lowe, A.C.G.I., D.Sc. Hotel Metropole, King Street, at 6.15 p.m.

FEBRUARY 8

Nottingham: "Holding Companies and Consolidated Accounts," by Mr. A. E. Langton, LL.B., F.C.A., F.S.A.A. Reform Club, Victoria Street, at 6.30 p.m.

FEBRUARY 9

Birmingham: Joint meeting with Inspectors of Taxes—Mock Income Tax Appeal. Law Library, Temple Street, at 6.15 p.m.

Liverpool: Dinner.

Sheffield: "The Accountant as Executor," by Mr. R. Glynne Williams, F.C.A., F.T.I.I.

Swansea: "The Future Relationship between Government and Industry," by Mr. H. G. Hodder. Mackworth Hotel.

FEBRUARY 12

London: "A Legal Review of 1950," by Mr. Claude E. Bridges, Barrister-at-Law. Arranged by District Society. Hall of the Chartered Auctioneers' and Estate Agents' Institute, 29, Lincoln's Inn Fields, W.C.2, at 6 p.m.

Sheffield: "Taxation in a Welfare State," by Professor J. H. Jones, M.A., LL.D.

FEBRUARY 13

London: Punched card accounting machines demonstration. British Tabulating Machine Co., Ltd., 17, Park Lane, W.1, at 6 p.m. Arranged by the Students' Society. Attendance restricted to 50 persons.

FEBRUARY 14

Dublin: "Contract Costing," by Mr. E. Mullen, F.C.W.A. Arranged by Students' Society. Jury's Hotel, Dame Street, at 6.15 p.m.

FEBRUARY 15

Bradford: "Executorship," by Mr. V. S. Hockley, B.COM., C.A. Liberal Club, Bank Street, at 6.15 p.m.

FEBRUARY 16

Birmingham: "Legal and Equitable Apportionments," by Mr. Derek E. Wilde, LL.B., C.A.I.B. Law Library, Temple Street, at 6.15 p.m.

Hull: "Partnership Law, Accounts and Taxation," by Mr. A. E. Langton, LL.B., F.C.A., F.S.A.A. Church Institute, Albion Street, at 6.15 p.m.

Manchester: Lecture and demonstration. Powers-Samas accounting machines. Incorporated Accountants' Hall, 90, Deansgate, at 6 p.m.

Plymouth: "The Law of England," by Mr. R. D. Luscombe, LL.B. Plymouth Law Chambers, 5 Princess Square, at 6 p.m.

Southend-on-Sea: "Profits Tax," by Mr. L.A. Hall, A.G.A., A.S.A.A. Arranged by London Students' Society, Southend Branch. Municipal College, Victoria Circus, at 7.45 p.m.

Stoke-on-Trent: "Legal Liabilities for Industrial Injuries," by Mr. V. McKnight. Joint lecture with Institute of Cost and Works Accountants. Stoke Town Hall at 7.15 p.m.

FEBRUARY 19

London: "Presentation of Accounts," by Mr. A. C. Simmonds, F.S.A.A. Arranged by Students' Society. Hall of the Chartered Auctioneers' and Estates Agents' Institute, 29, Lincoln's Inn Fields, W.C.2, at 6 p.m.

FEBRUARY 20

London: Punched card accounting machines demonstration. British Tabulating Machine Co., Ltd., 17, Park Lane, W.1, at 6 p.m. Arranged by the Students' Society. Attendance restricted to 50 persons.

FEBRUARY 21

Exeter: "Company Formation," by Mr. A. W. C. Lyddon, F.S.A.A. Farmers' Union Offices, Osborne House, at 6 p.m.

Leeds: Discussion Circle (joint meeting). Albion Hall, Leeds Y.M.C.A., at 7.30 p.m.

FEBRUARY 22

Bradford: "Consolidated Accounts," by Mr. R. Glynne Williams, F.C.A. Liberal Club, Bank Street, at 6.15 p.m.

Hull: Dinner.

Stockton-on-Tees: "Income Tax Schedule D," by Mr. Percy F. Hughes, A.S.A.A., A.C.I.S. Spark's Café, at 6.30 p.m.

FEBRUARY 23

Newcastle-upon-Tyne: "Profits Tax," by Mr. Percy F. Hughes, A.S.A.A., A.C.I.S. 52, Grainger Street.

Sheffield: Dinner.

Stoke-on-Trent: "Economics," by Professor A. N. Shinmin, M.A. (Leeds University). Hanley Town Hall, at 6.30 p.m.

FEBRUARY 27

Leeds: "Economics," by Professor A. N. Shinmin, M.A. Hotel Metropole, King Street, at 6.15 p.m.

Preston: "Capital Allowances," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A. Preston and County Catholic Club, Winckley Square, at 7.30 p.m.

London: Punched card accounting machines demonstration. British Tabulating Machine Co., Ltd., 17, Park Lane, W.1, at 6 p.m. Arranged by the Students' Society. Attendance restricted to 50 persons.

FEBRUARY 28

Swansea: "Costing," by Mr. N. G. Lancaster, M.B.E., A.C.A. Arranged by Students' Section. Central Library, Alexandra Road, at 6.45 p.m.

MARCH 2

Birmingham: "Current Trends in Practical Banking," by Mr. T. E. Hurst. Law Library, Temple Street, at 6.15 p.m.

London: Students' Society. Joint Debate with London Students' Society of the Institute of Municipal Treasurers and Accountants. Cowdray Hall, Royal College of Nursing, Henrietta Place, W.1, at 7 p.m.

Wolverhampton: "Marginal Costing," by Mr. J. H. Whichehoe, A.C.W.A., A.L.A.A., A.C.I.S. Molyneux Hotel, North Street, at 6.15 p.m.

MARCH 6

Dublin: "Preparation of Accounts from Incomplete Records," by Mr. L. A.

Mathews, F.S.A.A. Jury's Hotel, Dame Street, at 6.15 p.m.

London : Punched card accounting machines demonstration. British Tabulating Machine Co., Ltd., 17, Park Lane, W.1, at 5 p.m. Arranged by the Students' Society. Attendance restricted to 50 persons.

MARCH 8

Newcastle-upon-Tyne : "Standard Costing," by Mr. J. W. Fewlass, A.C.W.A., 52, Grainger Street.

MARCH 9

Birmingham : Joint lecture, arranged by the Association of Certified and Corporate Accountants, on "Examination Technique." Birmingham Chamber of Commerce, New Street, at 6.30 p.m.

Bradford : Dinner.

Middlesbrough : "Principles of Costing," by Mr. J. W. Fewlass, A.C.W.A., Café Royal, Linthorpe Road, at 6.30 p.m.

Shrewsbury : "The Society's Book-keeping and Accounting Papers," by Mr. R. Glynn Williams, F.C.A. Old Post Office Hotel, Milk Street, at 6.30 p.m.

Stoke-on-Trent : "Consolidated Accounts," by Mr. F. A. Roberts, A.S.A.A. Hanley Town Hall, at 6.30 p.m.

Swansea : "Economics," by Professor E. Victor Morgan, M.A. Mackworth Hotel, at 6.45 p.m.

Results

OF EXAMINATIONS

NOVEMBER, 1950

FINAL EXAMINATION

Honours Candidates (4)

SCARFE, Peter (with Larking & Larking), Norwich. (*First Certificate of Merit and First Prize.*)

TUCKER, Arthur Edwin (with Charles Henry Symons & Co.), Barnstaple. (*Second Certificate of Merit and Second Prize.*)

MURCH, Robert Charles (with S. T. Milner), Harrogate. (*Third Certificate of Merit and Third Prize.*)

DAGLISH, William Edward (with J. W. Armstrong & Sons), Newcastle-upon-Tyne. (*Fourth Certificate of Merit.*)

Candidates Passed (294)

Ashby-de-la-Zouch—BEADSMORE, William Alfred (with Dixon, Johnson & Murkett).

Ayr—KENDALL, John Clifford (with Alfred T. Scott & Co.).

Bath—PEARSON, John Reginald (with French & Foster).

Batley—BEDFORTH, Sidney Canfield (formerly Borough Treasurer's Department).

Berwick-on-Tweed—BAKER, Elisabeth (with Walter Baker & Co.).

Birkenhead—OWEN, John Tudor (with R. G. Cotter & Co.).

Birmingham—CHINERY, Peter Frank (with Griffin & Co.); DEAN, Walter Ronald (with Peat, Marwick, Mitchell & Co.); GREENWAY, John Anthony (with George A. Touche & Co.); MOORE, Charles Henry (with T. Harold Platts & Co.); SUMMERS, Philip John (with T. Harold Platts & Co.).

Blackpool—DOUGHTY, Derek William (with A. Hague & Son); JOHNSON, James Butterworth (with F. W. Coope & Co.); NUTTALL, John Windle (with Harold J. Prestwich); SMALLEY, Peter Albert (with Harold J. Prestwich).

Bombay—GANDHI, Minoo Dadabhoj (formerly with D. H. Kabraji & Co.).

Bournemouth—GOODHEW, Benjamin John (with Norman Sacker, Copper & Co.); LINES, Raymond Leslie (with Bicker, Son & Dowden).

Bradford—ALDERSON, Kathleen (with Firth, Parish & Clarke); BAILEY, Henry Binns (with Rupert Lindley & Son); GREEN, Geoffrey Lockwood (with Brooke & Stocks); HAIGH, Bobbie (with Boyce, Welch & Co.); MOORE, Allan (with Williamson, Butterfield & Roberts); WADSWORTH, Kenneth Edwin (with Walter Harrison & Son); WILSON, Arthur John (with R. S. Dawson & Co.).

Bridgend—HATTERSLEY, Donald Gordon (with G. K. Singer); SUTER, Leonard Albert (with Tudor Davies).

Brierley Hill—GORDON, John Arthur (with Gough, Wright & Co.).

Brighton—BRISTOW, Donald Edwin (with Carpenter, Arnold & Turner); GODDEN, Dennis William George (with Graves, Goddard & Horton-Stephens).

Bristol—DALBY, David Burkitt (with Morley F. Pearce); PAUL, Ronald Wallace Michael (with Baber, Owen & Co.); SMITH, Harold (with Solomon Hare & Co.).

Bury—WITHERINGTON, Harold (with E. O. Mosley & Co.).

Bury St. Edmunds—MEAKIN, Norman (with Larking, Larking & Whiting).

Buxton—PUGH, Richard Henry Crommelin (with T. W. Abbey).

Calcutta—BASU, Samir Kumar, B.COM. (formerly with S. N. Mukherji & Co.); GHOSH, Jagannath, B.A. (formerly with A. M. Roy & Co.); RAY, Sukhendu, B.SC. (formerly with D. P. Chatterjee & Co.).

Cardiff—CROOM, Geoffrey Llewellyn (with Watts, Gregory & Co.); GRIFFITHS, Howell James (with Saunders, Horton, Evans & Co.); HORRELL, John Edward (with Saunders, Horton, Evans & Co.); JONES, Kenneth (with T. R. Morris); MARKS, Arnold (formerly with Field & Co.); WILLIAMS, Robert Elfed (with Phillips & Trump).

Carlisle—CULLEY, Fergus Wilfred (with Greaves & Co.); HASLAM, William Edwin (with James Watson & Son).

Chester—BATES, James Higson (with Walter Baird & Co.).

Chesterfield—BUTLER, Gerald Austin (with R. L. Marsden & Co.); PARKER, Gordon Turner (with Saml. Edwd. Short & Co.).

Darlington—BAIRD, Douglas (with Peat, Marwick, Mitchell & Co.); HOPPER, Arnold (with Thomas Craggs & Co.); RODGERS, Peter Anthony (formerly Borough Treasurer's Department).

Derby—CAWTHORN, George Frederick (with Cooper-Parry, Hall, Doughty & Co.).

Doncaster—BATTY, Harry (with Alfred F. Girling).

Douglas—BROWNE, Ronald Bernard (with J. B. Bolton); CALLIN, John Patrick (with Albert Hill & Co.); CORLETT, Ronald William (with J. B. Bolton).

Dublin—ANDREWS, Leslie Graham (with Cooper & Kenny); DALY, Patrick Joseph (with Hayden, Stewart & Co.); MCMAHON, William Joseph (with J. A. Kinnear & Co.); ROSS, Hugh Alexander (with Stokes Bros. & Pim); SCARRY, Herbert Joseph (with Martin, Savage & Co.); WOODS, Colin Leo (with Craig, Gardner & Co.).

Eastbourne—PAUL, Edward Frank (with Perkins, Copeland & Co.).

Edinburgh—MCLEAN, Norman Weir (with Scott & Paterson).

Ellesmere Port—BRAILSFORD, John Richard (Treasurer's Department, U.D.C.).

Exeter—APLIN, Edward Eric Russell (with W. W. Beer, Aplin & Co.).

Folkestone—DANBY, John Silas (with Geo. H. Chapman & Co.).

Glasgow—BUCHAN, Alexander (with Thomas Smith & Sons); COPLAND, Harry (with H. A. Cairns & Co.).

Glastonbury—BAILEY, Eric Ronnie (with

| SUMMARY | | | | |
|-----------------------------|-------|--------------|-------------|-------|
| | Final | Intermediate | Preliminary | TOTAL |
| Candidates Awarded Honours | 4 | 6 | 1 | 11 |
| Candidates Passed | 294 | 311 | 36 | 641 |
| Candidates Successful | 298 | 317 | 37 | 652 |
| Candidates Failed | 273 | 343 | 67 | 683 |
| Candidates Sat | 571 | 660 | 104 | 1,335 |

Hucker & Booker); GEORGE, Frederic Brand (formerly with Davis & Davis).

Gloucester—STERRY, John George (with Kingscott, Dix & Co.).

Halifax—HEWITT, Frank (with Armitage & Norton); VAN WTBERGHE, Charles Georges Mary Frans William (with Armitage & Norton).

Harrogate—ROSE, Christopher Gerald Patrick (with Learoyd & Longbottom).

Hemel Hempstead—WRIGHT, Kenneth Thomas (with Lewis, Hillier & Co.).

Hereford—ROCHE, Christopher Michael (with Thompson & Wood).

Herne Bay—CORK, Eric Jenner (Practising Accountant).

High Wycombe—WOODLEY, Arthur Stephen (with R. M. Blaikie & Co.).

Hull—ADDY, Roy Thomas (with Hodgson, Harris & Co.); BENTLEY, Isabel Anne (with Butterell & Ridgway); BLIZZARD, Geoffrey (with Hodgson, Harris & Co.); COULBECK, Aubrey Gerald (formerly with Hodgson, Harris & Co.); HALLMEY, Peter (with Hodgson, Harris & Co.).

Keighley—GOULDING, John Geoffrey (with A. P. Burton & Co.); SANDERSON, Rowland (Deputy Borough Treasurer); THOMPSON, Douglas (with A. P. Burton & Co.).

King's Lynn—HAYHOW, Leonard William (with Hayhow & Co.).

Leeds—HEMINGWAY, Peter (with John Gordon, Walton & Co.); HUDSON, Stanley Herbert (with J. W. Close Hirst & Co.); NESBITT, Frank (with Atkinson, Smith & Atkinson); SCOTT, Arthur Pawson (with John Gordon, Walton & Co.); SIDWELL, Francis Bernard (with Price Waterhouse & Co.); TAYLOR, Ronald Kenneth (with Roland J. L. Ball); TONG, Maurice (with Sir Charles H. Wilson & Co.); WILKINSON, Stanley (with Frank Hall).

Leicester—FIRBAN, Thomas Norman (with Wykes & Co.); GATWARD, Raymond (with Newby, Dove & Rhodes); MOULSHER, Kenneth James (with Frank Haynes & Co.); WALKER, Thomas Leslie (with Wykes & Co.); WALTER, Alan Ernest Stephen Hill (with Newby, Dove & Rhodes).

Liverpool—COPNALL, Anthony (with Charles E. Dolby & Son); HALLIWELL, Edmund (with Price Waterhouse & Co.); HARDCASTLE, Richard Clinton (with Harmwood Banner, Lewis & Mounsey); HOOLEY, Thomas Eric (with Price Waterhouse & Co.); JONES, Robert William (with Alexander Critchley); LEACH, Donald (with H. Noel French, Ormrod & Co.); MCFALL, Thomas Langford (with Cooper Brothers & Co.); MALLINSON, Renee Patricia (with W. H. Walker & Co.); SCHORAH, Leslie (with Wilson, de Zouche & Mackenzie); WINTERBURN, Eric (with Henderson & Eastwood); WYNN-WILLIAMS, Ifor (with George Lang & Co.).

London—ADKIN, Geoffrey Alfred (with Moores, Carson & Watson); ANDREWS, Paxton Sidney (with Russell Tillett & Co.); ATKINSON, Ray Jean Bromley (with Deloitte, Plender, Griffiths & Co.); BAILEY, Ronald Douglas (with Clarkson & Rumble); BAKER, Henry Alfred James (with Binder, Hamlyn & Co.); BEDWELL, Walter (with Hesketh, Hardy, Hirshfield & Co.); BELL, Peter Johnston (with Deloitte, Plender, Griffiths & Co.); BENDING, Archibald William Leonard (with Spicer & Pegler); BEXLEY, Ronald Bertram (with Rawlinson & Hunter); BISHOP, Leslie Herbert Stokes (with Martin, Farlow & Co.); Blich, Leslie Francis (with Turquand, Youngs & Co.); BROOKS, Wilfred John (with Price Waterhouse & Co.); BROWNLESS, Edwin Ernest (formerly with Cassleton Elliott & Co.); BUCHAN, Alfred George (with Marreco, Ridley & Heslop); BURFORD, Leslie Harold, B.COM. (with Jackson, Pixley & Co.); BURT, Robert Eric (with Miller Smith & Co.); CALVERT, Douglas Stuart (with Reads, Cocke & Watson); CATT, Benson Franklyn (with Metcalfe Collier, Hayward & Co.); CHAPMAN, Douglas Harold Victor (with Clark, Battams & Co.); CHEESMAN, Ronald Frederick (with W. A. Scott & Co.); CLARK, Daniel (with Peat, Marwick, Mitchell & Co.); CLARK, Ronald James (with Layton-Bennett, Billingham & Co.); CORDELL, Henry Arthur (with C. F. Middleton & Co.); CORNELIUS, Frank Hubert (with Wrigley, Bolton & Co.); CROCKETT, Darrell Alexander Jones (with Whinney, Smith & Whinney); DAVIES, Richard Ian (with Edw. Judson Mills & Co.); DAVIS, Frederick Jenkins (with Woolger, Hennell, Scott-Mitchell & Co.); DAVIS, Peter Richard (with Fletcher, Head, Smith & Co.); DICKIN, Stanley Leonard (with Townsend, Watson & Stone); DOUGLAS, Paul Michael (with Price Waterhouse & Co.); DUNFORD, Ronald Edward (with Morgan & Co.); DUNMALL, Charles (with Harmwood Banner, Lewis & Mounsey); EHREN, Alfred (with Pannell, Crewdson & Hardy); ELLIOTT, Anthony Joseph (with Price Waterhouse & Co.); EVANS, Vincent Morris (with Turquand, Youngs & Co.); FOSS, Peter Wilfred (with Henry White & Co.); FOSTER, Brian Edgar (with Smallfield, Rawlins & Co.); GENESE, David Alfred (with Ford, Rhodes, Williams & Co.); GILBERT, Edgar Dinely Prior (with Peat, Marwick, Mitchell & Co.); GILLHAM, Kenneth (with Stanley Holmes & Co.); GOLLEGE, Geoffrey (with Pawley & Malyn); GUDGIN, William Joseph (with Baker, Todman & Co.); HAMMOND, Albert John (with Deloitte, Plender, Griffiths & Co.); HARRISON, Dunstan (with Peat, Marwick, Mitchell & Co.); HARWOOD, Paul Andrew

(with Moores, Carson & Watson); HINES, James Alfred Charles (with Baker, Todman & Co.); HOARE, Kenneth (with Deloitte, Plender, Griffiths & Co.); HODGKINSON, Alan (with S. E. Parish & Co.); HOOPER, Percy Arthur (with Chas. W. Rooke, Lane & Co.); Howard, Leslie Reginald (with Charles E. Harper); HUGGETT, Dennis George (with Edwin Guthrie & Co.); HULL, Victor Frank George Brown (with Deloitte, Plender, Griffiths & Co.); JENKINS, Frederick Ronald (with Lord, Foster & Co.); JOHNSTON, George Kenneth Charles (with S. E. Denning & Co.); JUDD, Derek Roy (with Maurice Thompson & Co.); KING, Edwin Arthur (with Rowley, Pemberton & Co.); KITSON, Arthur William (with Myers, Davies & Co.); KNIGHT, Bernard William Henry (with Price Waterhouse & Co.); LADD, Victor Alfred (with Duck, Mansfield & Co.); LEE, John Albert (with W. Elles-Hill & Co.); LEEK, John (with Shipley, Blackburn, Sutton & Co.); LEWIS, Percy William (with Peat, Marwick Mitchell & Co.); LINE, Vivian William (with Maurice Thompson & Co.); LONG, James Raymond (with Hawley & Malyn); MCGREGOR, Donald Hugh (with Cooper Brothers & Co.); MCINTYRE, Stanley George (formerly with G. H. Attenborough & Co.); MCPHERSON, Roy Charles (with Binder, Hamlyn & Co.); MANNING, William George Dowers (with Hill, Vellacott & Co.); MARKER, John (with Samson & Coulson); MARSHALL, Douglas Charles (with Blakemore, Elgar & Co.); MASLEN, Peter Innes (with Price Waterhouse & Co.); MATHIAS, Ronald Sidney George (with Cash, Stone & Co.); MAX, Leslie (with Clifford Towers, Temple & Co.); MURRELL, James Sydney (with George Copley & Co.); NATHAN, Murray (with Lawrence H. Fink); NEWTON, Basil (with de Paula, Turner, Lake & Co.); NICHOLAS, Leslie Neal (with Midgley, Snelling & Co.); PAYNE, Alan John William (with Middleton, Hawkins & Co.); PEARCE, John Clifford (with Spain Brothers & Co.); PERHAM, Reginald Nicholas (with Keens, Shay, Keens & Co.); PURDEV, John (with Martin, Farlow & Co.); RIPPINGTON, Albert Henry (with Deloitte, Plender, Griffiths & Co.); RUST, Gordon Spencer (with Saffery, Sons & Co.); SEGRAVE, George David (with Clifford Towers, Temple & Co.); SLIPPER, Roy James Frederick (with Slipper & Co.); SMITH, Leonard Ralph Lee (with Moore, Stephens & Co.); SMITH, Norman Alexander (with Gray, Stainforth & Co.); SPOONER, Robert (with Rawlinson & Hunter); STOCKER, Gerald Julian (with Armitage & Norton); STOCKWELL, Herbert Thomas George (with Winder & Lloyd); STOUT, Gordon Arthur (with Newman Ogle, Bevan & Co.); STRACEY, David Sydney (with

Pawley & Malyon); STRUDWICK, Alfred (with Frank A. Cooper & Co.); SUMMERS, Norman (with Alexander B. Neil & Co.); SWEETMAN, Thomas Edward (with Chas. W. Rooke, Lane & Co.); SWINSON, Arthur Montague (with S. Primost & Co.); TERRY, Henry Walter (with Deloitte, Plender, Griffiths & Co.); TOMPKINS, Horace Albert Edwin (Ministry of Supply); TRIMMER, Donald Raymond (with Turquand, Youngs & Co.); TURNER, Sydney Roy (with Jacob & Haynes); VAINES, Albert Henry (with Brebner, Allen & Trapp); VERLANDER, Arthur Raymond Edward (with Spofforth & Prince); WATKINS, Ian Milwyn York (with Casleton Elliott & Co.); WISEMAN, Edwin George (with Mathieson, King & Co.); WITHERDEN, David Edwin (with Dunn, Carey & Co.); WOOLF, Leonard (with Wm. H. Jack & Co.); WRIGHT, Ernest Leslie (with Viney, Price & Good-year); WYMARK, Douglas Huthwaite (with A. C. Palmer & Co.).

Ludlow — DAVIES, Eric Oswald (with Asbury, Riddell & Co.).

Luton — POLLARD, John Nicholas (with H. J. Cox & Co.); WRIGHT, Ronald Ernest (with Keens, Shay, Keens & Co.).

Manchester — ALDOUS, Geoffrey (with Alfred Nixon, Son & Turner); BUTTERWORTH, Clifford (with Nasmith, Coutts & Co.); FIRSTBROOK, Norman (with R. Horsefield); GRATRICK, Kenneth Hyde (with Robert H. Benson); HEAP, Jack Embley (with Farrant, Stott & Golland); HINDLEY, Derek Harry (with J. D. Hamer & Co.); LORD, Richard Edward (Practising Accountant); O'CONNOR, Gerald Raymond (with Thos. Johnston & Co.); RAY, Bikas Chandra (with William Pickles).

Mansfield — YALLUP, Geoffrey Edward (with Cooke & Staples Parker).

Middlesbrough — BROWN, John Auckland (with L. C. Bye).

Neath — ROWLANDS, Wreford Francis (formerly with Jennings & Watkins).

Newcastle-upon-Tyne — LAMB, Norman Arthurson (with Peat, Marwick, Mitchell & Co.); MACKAY, Andrew (with Ridley & Ridley); MATTHEWS, Thomas (with Albert Bell & Allan); MILLET, Joseph Noel (with Price Waterhouse & Co.); MUNRO, Wilfred Ferguson (with Bolton, Wawn & Co.); PARRY, Herbert Samuel (City Treasurer's Department).

Newport, I. of W. — MILLER, Ronald Albert (with A. E. Hook & Co.).

Newport, Mon. — GEORGE, Norman John (with H. W. Baddeley); MOSSFORD, Frederick Roy (with Walter Hunter, Bartlett, Thomas & Co.); WILLIAMS, John Nigel (formerly with the late E. W. Williams).

Northampton — SEAR, Richard Edward (with J. R. Watson & Co.).

North Shields — GREY, John (with C. H. Arkley & Co.).

Nottingham — PARR, John Taylor (with Stanley Blythen & Co.); RICKS, Frederick Anthony (with F. Stokes & Ricks).

Nuneaton — TAYLOR, Herbert Gordon (with Robt. A. Plant & Co.).

Oldham — CLOUGH, Wilfred (with F. G. Schofield & Son).

Ossett, Yorks — BURNETT, Peter (with Gordon Ball & Co.).

Oxford — EDGINGTON, George Thomas (with Thornton & Thornton).

Parkstone — LARCOMBE, Antony Stuart (with S. J. G. Southon & Co.).

Peterborough — STONE, Edward John (with Maurice E. Bulley & Co.); ULBRICK, Victor Charles (with Swallow, Crick & Co.).

Plymouth — BUNKER, David James (with Roberts & Pascho); PEPPERELL, Roy William (with White & Pawley); POTTER, Joseph Bateman (City Treasurer's Department).

Preston — GIBBONS, William George (with Clifford Thornton); SANDHAM, William Kenneth (with James Todd & Co.).

Redruth — SMITH, Francis Luke (with A. J. Paul & Co.).

Romford — LINDOP, William John (with Clemence, Hoare & Co.).

Rotherham — BALL, Edwin Lewis (with Hart, Moss, Copley & Co.).

St. Albans — HOLMES, Leslie Ernest (Deputy City Treasurer).

St. Annes-on-Sea — HORNE, Ralph (with T. B. Rich & Co.).

St. Helens — FARRELL, Frederick John (with Stanley Marsh).

St. Ives, Hunts — MACKIRDY, Calliss James (with Stephenson, Smart & Co.).

Sheffield — RIDAL, Geoffrey (with Walter Bell & Co.).

Shrewsbury — ANDERSON, Robert Oswald (with Harper, Kent & Wheeler); BORTON, Donald (Treasurer's Department, Salop County Council); ROWE, George Colin (with Harper, Kent & Wheeler).

Southampton — LEE, Peter John (with Beal, Young & Booth).

Southend-on-Sea — CAMPBELL, Colin (with Rickard & Co.).

Southport — ENGLISH, Geoffrey (formerly with H. D. Collins).

Southsea — HATTER, Kenneth Cyril (with J. V. Couzens).

Stafford — PEAN, David Vanstone (formerly Borough Treasurer's Department).

Stoke-on-Trent — LOWELL, Wesley William (with Bournier, Bullock & Co.).

Stroud — WITHEY, Robert (with S. J. Dudbridge & Sons).

Sunderland — GARNSWORTHY, Randall William (with W. F. Atkinson); MITCHELL, Fraser (with Chas. O. Nicholson & Co.).

Surbiton — MITCHELL, James Ernest (Borough Treasurer's Department).

Swansea — BILLINGS, David Henry (with Brinley Bowen, Mills & Co.); CHILCOTT, Arthur Gordon (with Ashmole, Edwards & Goskar).

Torquay — EASTERBROOK, Horace Frederick (with Ware, Ward & Co.); PAXTON, Graham John James (with K. W. Buckley).

Winchester — DAVIES, Bruce (Deputy City Treasurer).

Wisbech — WRAGG, David Arthur (with Larking, Larking & Whiting).

Wolverhampton — PHILLIPS, John Clive (with T. E. Lowe & Co.).

Worcester — SMITH, Peter Jack (with Rabjohns, Leopard & Co.).

York — GEE, Sidney (with D. Hunter); KIRK, George (with Barron & Barron).

INTERMEDIATE EXAMINATION

Honours Candidates (6)

GIBSON, Peter John (with Leslie Furneaux & Co.), London. (*First Place Certificate and First Prize.*)

MARRIOTT, James Alan (with Hodgson, Harris & Co.), London. (*Second Place Certificate.*)

HEDGES, Joseph Askew (with Reeves & Young), Canterbury. (*Third Place Certificate.*)

WAUDBY, Roy (with Goldie, Campbell & Robins), Hull. (*Fourth Place Certificate.*)

DAVIS, Desmond Frederick (with Ernest Webb & Son), Brighton. (*Fifth Place Certificate.*)

HARRISON, James Francis (with Turton, Ross & Co.), Nottingham. (*Sixth Place Certificate.*)

Candidates Passed (311)

Ashington — STRAUGHAN, Thomas (Treasurer's Department U.D.C.).

Barnsley — NOBLE, John Brian (with J. W. Wilkinson & Co.).

Barnstaple — CAMP, Ernest John (with Charles Henry Symons & Co.).

Barrow-in-Furness — JOHNSON, Douglas James (with Peat, Marwick, Mitchell & Co.).

Basingstoke — HOGG, George Cotter (with A. C. Brading & Co.).

Beaconsfield — GROSS, Anthony William (with F. L. Rouse & Co.).

Belfast — BOYD, James (with Muir & Addy); GRIFFITH, Thomas John Ferguson (with Olver & Spence); KIRK, James (with Hill, Vellacott & Bailey); LENNOX, Robert (with Hill, Vellacott & Bailey).

Birmingham — BOWLES, David Marshall (with W. G. A. Russell & Co.); HAWKINS, Robert Henry Dennis (with C. Herbert Smith & Russell); HUSSEY, Bernard (with Roberts, Hall & Co.); JONES, Dennis Emlyn (with W. G. A. Russell & Co.); PROUD, Kenneth Harold (with Harold Brown & Co.); ROBINSON, Brian Frederick

(with Harrison, West, Ledsam & Co.); SOUTHALL, Ronald Ernest (with Cotterill, Kirk, Salt & Co.); TINGLEY, Arthur Pache (with George A. Touche & Co.); TROW, Stanley John (with G. H. C. Stanley & Co.).

Blackpool—BAYLEY, Roy Grimshaw (with John J. Harrison & Co.); SHENTON, Thomas Roy (with C. Nuttall).

Bolton—CULSHAW, Geoffrey (with Harper, Pilling & Co.).

Bombay—BHATIA, Shanker Mulji, B.COM. (formerly with Gondalia & Mandviwalla); JAVERI, Nanabhoy Tehmul (formerly with Kalyaniwalla & Mistry).

Bournemouth—PELLING, Peter George (with Bicker, Son & Dowden); STEVENS, Dennis Edgar (with Norman Sacker, Copper & Co.).

Bradford—DODGSON, Clarence (with Williamson, Butterfield & Roberts); HARDWICK, William Derek (with Rawlinson, Greaves & Mitchell); WINT, Antony Willis (with Charles D. Buckle & Co.).

Bridgwater—DAY, Donald Francis (with Butterworth, Jones & Co.).

Bridport—KNIGHT, Philip John (with G. L. Atherton & Co.).

Brighton—CAPLIN, Leonard (with Walpole, Harding, Vidgeon & Elliott).

Bristol—BEVAN, Paul Dominic (with Hudson Smith, Briggs & Co.); JONES, Richard Forman Wynn (with Curtis, Jenkins, Cornwell & Co.).

Calcutta—BASU, Prashanta Kumar, B.SC. (formerly with P. K. Ghosh & Co.); NANDI, Jitendra Nath, B.A. (formerly with B. B. Chakravarti); GUPTA, Gopal Chandra, B.COM. (formerly with Singhi & Co.).

Cardiff—BOOKER, Eric Sydney (with Alfred D. Thomas); GRIFFITHS, David Rhys Brangwyn (with Phillips & Trump); LAMB, John Maurice (with Deloitte, Plender, Griffiths & Co.); RICHARDS, Gerald Meirion (with Deloitte, Plender, Griffiths & Co.); WILLIAMS, Roger Martyn (with J. Wallace Williams & Co.).

Carlisle—HOGARTH, John (with James Watson & Son); MCPHAIL, Archibald (with Duthie & Son); SLACK, Robert Myles (with Duthie & Son).

Chesham—LANE, Henry John Noxon (with George Hay & Co.).

Chester—MIDDLETON, Neil Stuart (District Auditors' Department, Ministry of Health).

Clacton-on-Sea—DOE, Peter Henry (with Norfolk, Pawsey & Co.).

Colwyn Bay—HISLOP, John Samuel (with H. Tudor Hughes & Knight).

Cork—THORNTON, Anthony Joseph Kevin (with Atkins, Chirnside & Co.).

Croydon—CLARK, Norman Arthur Richard (with Edmund Tydeman & Co.).

Darlington—CHAPMAN, William Robert

(with Peat, Marwick, Mitchell & Co.).

Douglas—KNEALE, John (with Shannon, Kneale & Co.).

Dublin—FAHY, Anthony (with Pelham Plunkett & Co.); FINCH, Terence (with Cooper & Kenny); GAHAN, William Dennis (with Cooper & Kenny); KEEGAN, Edward Joseph (with Purnell, Davenport, Tierney & Co.); LIGHTBODY, John Eugene Michael (with William C. Ribbeck & Co.); NALLY, Brian Liam Edward (with Purtill & Co.); O'BRIEN, Patrick Donogh (with Gerald J. Moore); TANNAM, Desmond Henry, B.COM. (with F. R. O'Connor); WHITE, Thomas Francis (with R. P. J. Smyth & Co.); WILDGUST, Alan John (with J. A. Kinnear & Co.).

Dudley—BENGREE, John Stephen (with Wm. Lloyd & Co.).

Eastleigh—BAKER, Derek Roy (with Beal, Young & Booth).

Ebbw Vale, Mon.—STROUD, David Arthur (with Parsons, Joliffe, Davies & Co.).

Edinburgh—HAMILTON, Ian Drummond (Audit Section, Department of Health for Scotland); SUTHERLAND, Angus (City Chamberlain's Department).

Epsom—HUMPHREYS, Leonard (with Kennedy, Smellie & Co.).

Falkirk—MOFFAT, Festus Ian Walker (with Festus Moffat & Co.); MORRISON, Ian (with Festus Moffat & Co.).

Falmouth—TREBILCOCK, Frank (with Lodge & Winter).

Fulbourn, Cambs—CHARITY, Anthony Noble (with C. Heath).

Glasgow—WRIGHT, Hugh (with Wm. H. Jack & Co.).

Grantham—WOOLLATT, Arthur (with John Baldock & Co.).

Guernsey—MOLLETT, Charles Sylvester (with Black, Geoghegan & Till).

Harrogate—MORLEY, William Stephen (with S. T. Milner).

Hitchin—DAVY, Henry Leslie (Treasurer's Department, Urban District Council).

Hove—ALLEN, Kenneth Charles (with Nevill, Hovey, Gardner & Co.); WISE, Geoffrey Lawrence (with Nevill, Hovey, Gardner & Co.).

Huddersfield—CROSLAND, Bryan Bennett (with Armitage & Norton); OWEN, Geoffrey Frank (with Wheawill & Sudworth).

Hull—COLLINS, Peter (with Carlill, Burkinshaw & Ferguson); GRAVELL, Claude (with Buckley, Hall, Devin & Co.); HUDSON, Raymond Frank (with Goldie, Campbell & Robins); PAWSON, Wilfrid Stanley (with Goldie, Campbell & Robins); RANDERSON, Eric (with Goldie, Campbell & Robins).

Ilford—GOATER, Dennis Vincent (with Knight, Bland & Co.).

Ilkeston—STEVENSON, Reginald Percy (Borough Treasurer's Department).

Keighley—HIRD, Eric (with Wm. Robertshaw & Myers).

Kingston-on-Thames—HARRIS, Dennis Percy (with H. Menzies & Co.).

Lancaster—KATTAN, Henry Habib (with Clarke & Clarkson).

Leamington Spa—BINKS, Redvers Gerald (with Burgis & Bullock).

Leeds—BALMFORTH, Geoffrey (with Peat, Marwick, Mitchell & Co.); BARRON, David Fred (with E. Freedman & Co.); NEWSOME, Jack (with Price Waterhouse & Co.); NIVEN, Ian (with F. P. Fearnley); RHODES, Dennis (with Whitfield & Co.); SHIPPEN, John William (with Pickard, Penny & Co.); WIGGAN, Ernest Terrence (with R. R. France & Co.).

Leicester—BENTLEY, Lewis George (with Hopps & Bankart); BOOTHBY, Harold (with Taylor, Froude & C. R. Riddington); LOWE, Ernest Anthony (with McGillivray, Lowe & Co.); NAYLOR, Kenneth Thomas Hedley (with Thomas May & Co.); THOMPSON, John Sample (with Whitehead & Mortimer).

Leigh—JOHNSTON, George Thorpe (with Edwin Haslam).

Letchworth—TUTTY, Albert Robert (with Amsdon, Cossart & Wells).

Lincoln—LUNGLEY, Denis Arthur (with J. Nicholson & Co.).

Liverpool—BOUCHIER, Oliver George Edward (with Peat, Marwick, Mitchell & Co.); CAMPBELL, Kennedy (with Maw, Collins & Sons); CHEW, Laurence Richard (with A. T. Aspin & Co.); DAVIES, Kenneth Arthur (with Blease & Sons); EVERITT, Ronald John (with J. W. Davidson, Cookson & Co.); FILDER, Cyril Herbert (with Harmood Banner, Lewis & Mounsey); FISHWICK, Anthony Noel John (with J. D. R. Cheetham); GITTINS, Peter Laurie (with H. A. F. Brookes); JACKSON, Kenneth William (with Edmund D. White & Sons); O'LEARY, Francis (with Chalmers, Wade & Co.); RILEY, Norman Arthur (with Simon Jude & West); WILLIAMS, Kenneth Norman (with B. Nagley & Co.).

London—AITKEN, Robert Brunton (with Hepburn, Hagley & Knight); ALLEN, Elliott Peter (with Alfred Wright & Co.); ANDREWS, John Geoffery (with Hobbs, Peskett & Co.); ANGELONI, Joseph Peter (with Hayden Green & Co.); BALDWIN, Talfourd Laurens Humphrey (with Miall, Harper & Co.); BECKER, Harry (with Lawrence D. Rose & Co.); BENTLEY, George Henry Dexter (with Hodgson, Harris & Co.); BERMAN, Sidney (with Wilson Wright & Co.); BEST, Raymond Merrik (with R. G. Kirkpatrick & Co.); BISHOP, Keith Marlow (with Saffery, Sons & Co.); BOFFIN, John William (with A. E. Quaife & Gower); BREGAZZI, Ronald Alexander (with Hayden Green & Co.); BROWN, Alec Charles (with Pannell,

Crowdson & Hardy); **BROWN**, William Alastair (with Allen, Baldry, Holman & Best); **BUCKLE**, Ernest Charles (with Peat, Marwick, Mitchell & Co.); **CHALK**, John Leslie (with H. G. Large, Libson & Co.); **CHASTON**, Peter Harding (with Peat, Marwick, Mitchell & Co.); **CHIGNELL**, Herbert Leslie (with Holroyd, Northcott & Co.); **CLAYMAN**, Arnold Michael (with Lionel Davidson & Co.); **CONWELL**, Edward Anthony (with Finnie, Ross, Welch & Co.); **COWLAN**, Robert George (with A. G. Willis & Co.); **CRANE**, Derek William (with Allan, Charlesworth & Co.); **CRANE**, Robert Ewart Montague (with Crane, Houghton & Crane); **DECKER**, Raymund Godfrey John (with W. B. Keen & Co.); **DUBOIS**, Martin Henry (with Dubois & Co.); **FIELD**, Anthony (with J. Hulbert Grove & Co.); **FLYNN**, Charles (with Singleton Fabian & Co.); **FOALE**, Robert Arthur (with Evans Smith, Boothroyd & Co.); **GAZY**, Ronald Lewis (with Peat, Marwick Mitchell & Co.); **GEORGE**, Ernest John (Borough Treasurer's Department, Hackney); **GLOVER**, Douglas Carmen (with Shipley, Blackburn, Sutton & Co.); **GOOD**, Derek Henry (with Viney, Price & Goodyear); **GREATBANKS**, Eric James (with Newman Ogle, Bevan & Co.); **GREEN**, Dennis William (with Farrow, Bersey, Gain, Vincent & Co.); **GREEN**, Sidney Ernest (with Blackburn, Wilton & Soole); **HARVEY**, Norman Leonard (with Wood, Alberty & Co.); **HEATHER**, Ronald Edward (with W. T. Walton & Son); **HICKSON**, Colin Ernest (with Percy Phillips & Co.); **HODGSON**, Douglas George (formerly with Luff, Smith & Co.); **HODGSON**, Leonard William (with Rooke, Holt & Co.); **HOLLIDGE**, Brian William (with Portlock & Co.); **HOPES**, Clifford Byles (with Brown, Peet & Tilly); **HURRELL**, Roy Alfred (with Hogg, Bullimore & Co.); **JACOBS**, Donald (with Gubbay & Co.); **JOHNSON**, Kenneth Walford (Chamberlain's Department, Corporation of London); **KARUNALINGHAM**, Arulampalam, B.Sc. (with Moustardiers); **KATTAU**, Arthur (with Bowker, Orford & Co.); **KEANE**, William (with Eldred Funnell & Son); **KELLY**, John Patrick (Exchequer and Audit Department); **LAKE**, Douglas Johnson (with Deloitte, Plender, Griffiths & Co.); **LEMON**, Francis Henry (with Shipley, Blackburn, Sutton & Co.); **LEWIS**, David Merfyn (with Cash, Stone & Co.); **LIGHTMAN**, David Harold (with Milne, Gregg & Turnbull); **LIVETT**, Leonard George (with Andw. W. Barr & Co.); **MANSFIELD**, Stanley Ernest (with Docwra & Co.); **MARKS**, Douglas Bertram (with Peat, Marwick, Mitchell & Co.); **MARR**, Derek Percy (with Patterson, Greenwood & Co.); **MOORE**, Ernest Charles Richard (with Hobbs, Peskett & Co.); **MOORE**,

Henry George (with Kingston, Smith & Co.); **MORTIMER**, Alfred Burton (with Stoy, Hayward & Co.); **MOSES**, Harold Leonard (with Bernard Phillips & Co.); **NIXON**, Ernest Henry (with Moore, Stephens & Co.); **NUTT**, Paul Henry Andre (with Peat, Marwick, Mitchell & Co.); **PALMER**, Arthur Ernest (with Sinclair, de Mesquita & Co.); **PATTLE**, Leslie George (with West, Wake, Price & Co.); **PENFOLD**, Ernest Alfred Charles (with Deloitte, Plender, Griffiths & Co.); **PEREN**, Ambros (with Smallfield, Fitzhugh, Tillett & Co.); **POTTER**, Ronald Alfred (with Pridie Brewster & Gold); **PRINCE**, Derrick Walter (with Deloitte, Plender, Griffiths & Co.); **PULLEY**, Kenneth (with Spicer & Pegler); **RIDDINGTON**, Derek Walter (with Edwin Hubbard & Co.); **ROBERTS**, Kenneth Thomas (with Dixon, Wilson, Tubbs & Gillett); **ROWLING**, Eric Alan (with Vann, Burton & Co.); **SCHRIER**, Barney (with Auerbach, Hope & Co.); **SERGEANT**, Maurice Joseph (with Jennings, Taylor & Living); **SHERIDAN**, Julius (with S. Brief & Co.); **SIMMONS**, Dennis Owen (with Blake-more, Elgar & Co.); **SIMS**, James Arthur (with Clements Hakim & Co.); **SLATER**, James Derek (with Croydon & King); **SMITH**, Reginald Henry (with Tansley, Witt & Co.); **SPALDING**, Stanley Roy (with Ogden, Hibberd Bull & Langton); **STEPHENS**, Charles Murray (with Crick & Bussell); **THORN**, Tony William Albert (with Spain Brothers & Co.); **TICKNER**, William Keith (with Cash, Stone & Co.); **TILSON**, John Frederick (with Kemp, Chatteris & Co.); **TITMARSH**, Albert James (with Deloitte, Plender, Griffiths & Co.); **TREACHER**, Roy Ernest (with Moores, Carson & Watson); **TREMLET**, Roy Henry Stephen (with Evans, Davies & Co.); **WADE**, Doris Gladys (with Saffery, Sons & Co.); **WAYMAN**, James Fawcitt (with Hobbs, Peskett & Co.); **WEAVER**, Dennis George (with Peat, Marwick, Mitchell & Co.); **WHITE**, Geoffrey David (with Ogden, Hibberd Bull & Langton); **WHITTINGTON**, Robert George (with Lewis, Burrell & Webster); **WILKINSON**, Derek Lewis (with Brown, Peet & Tilly); **WILLIAMS**, Leslie Richard (with Miall, Harper & Co.); **WILSON**, Edwin John (with Chas. W. Rooke, Lane & Co.).

Ludlow—**JONES**, Peter Bryan (with Asbury, Riddell & Co.).

Luton—**WALLIS**, Ivan Edward (Borough Treasurer's Department).

Maldstone—**FULLER**, Stewart Alfred (with W. Fisk); **GRIMWOOD**, Victor Ernest (with McCABE & FORD).

Manchester — **BOWER**, John Russell Mackay (with Deloitte, Plender, Griffiths & Co.); **CARO**, Terence Everard (with Thomas Forster & Co.); **CHEETHAM**, Frank Edmund (with Edwin Guthrie &

Co.); **CLIFF**, James Stuart (with Geo. T. Cheetham & Co.); **CROSSLEY**, Bernard (with Cooper Brothers & Co.); **EAKHURST**, Geoffrey Samuel (with Nasmith, Coutts & Co.); **HODCROFT**, Derek Wilfred (with Jones, Crowdson & Youatt); **LAWTON**, John (with Alfred G. Deacon & Co.); **SMITH**, John Roy (with Towers & Naismith); **WALSH**, Clifford (with Grundy, Middleton & Co.); **WOOD**, John Robert (with Haworth & Wheatley Jones).

Mansfield—**MOORE**, Leonard (with Cooke & Staples Parker).

Middlesbrough — **ATKINSON**, John Anthony (with Peat, Marwick, Mitchell & Co.); **MARQUIS**, Edward (with Peat, Marwick, Mitchell & Co.); **MORRIS**, Anthony (with Peat, Marwick, Mitchell & Co.); **WAGGOTT**, Stanley Charles (with C. Percy Barrowcliff & Co.); **WORLAND**, Ronald Charles (with Peat, Marwick, Mitchell & Co.).

Nairobi—**TRUNDELL**, Ernest Harry (with Alexander & Ingram).

Neath—**MORRIS**, Ernest Stephen (with Jennings & Watkins); **YEO**, Leslie John (with Richard Leyshon & Co.).

Newcastle-upon-Tyne — **BAILEFF**, Kenneth (with Price Waterhouse & Co.); **BATES**, Raymond (with Price Waterhouse & Co.); **PHILIPSON**, Alan (with Price Waterhouse & Co.); **RIVETT**, William (with Thomas Bowden, Sons & Nephew); **ROBSON**, Alan Keith (with James L. & F. S. Oliver); **SEARL**, Clifford (with Arthur M. White & Son); **WATSON**, Gordon (with J. W. Armstrong & Sons).

Newton Abbot—**DERGES**, Samuel Derek (with Francis S. Clark & Co.).

Northampton—**BAXTER**, John Hardman (with Baker & Co.).

Nottingham — **ALLEN**, Harry (with Mellors, Basden & Mellors); **HAZARD**, Roy Thomas (with C. F. Carlisle, Ray & Co.); **MORLEY**, James William (with Singleton, Carter & Co.); **NORTHFIELD**, Ephraim John (with F. C. R. Moule); **NOV**, Colin Alan (with Harold T. HOOLEY); **SLATER**, John Alfred (with Higson & Co.); **WILLSHER**, Frederick (with Rogers, Son & Co.); **WILSON**, Charles Martyn (with F. C. R. Moule).

Oxford—**RICE**, Robert John (with W. M. Bayliss, Sons & Co.).

Penzance—**BROAD**, Harold Percy (with Whitaker & Redfearn).

Peterborough—**FOWLER**, Donald Arthur (with Stephenson, Smart & Co.); **SMITH**, Geoffrey Frank Malcolm (with Stephenson, Smart & Co.).

Preston—**GILLEADE**, John Kerr (with Moore & Smalley); **HALSALL**, Thomas (with R. O. Griffith & Co.).

Purley—**WATTS**, Harold (Treasurer's Department, Coulsdon and Purley Urban District Council).

Rochdale—WILD, Alan (with Stott & Golland).

St. Albans—PAULL, Antony James Barry (with Geo. Little, Sebire & Co.).

Sheffield—CUNDY, Derek (with Ransom Harrison & Lewis); JACKSON, Kenneth (with T. G. Shuttleworth & Son); PESCUD, George Donald (with Joshua Wortley & Sons); REANEY, Kenneth (with J. H. Freeborough & Co.).

Sligo—MORRIS, William Rowlett (with Rawlinson, Allen & White).

Slough—RAMSDEN, Arthur Basil (with Griffiths & Miles).

Southampton—MOODY, Ronald (with Beal, Young & Booth); RODAWAY, Graham Mathieson (with G. E. Radford); SCOPES, John Lancelot (with Westlake, Clark & Co.).

Southend-on-Sea—CAMMIDGE, Peter Robert (with Rickard & Co.); CLUETT, Norman Vivian (with Rickard & Co.).

Southport—HOBLEY, Denis Harry (with Lithgow, Nelson & Co.); MOORE, Brian (with Loveridge & Moore).

South Shields—CHARLTON, Kenneth (with Vasey, Oliver & Co.).

Stafford—TURNER, Arthur Benjamin (Treasurer's Department, Staffordshire County Council).

Stockport—HIBBERT, James Lambert Roger (with Thomas G. Wilson); SANDERS, Geoffrey Turner (with Houghton, Charlesworth & Co.).

Stoke-on-Trent—AINSWORTH, Leslie Norman (with F. Geen & Co.); ALLARD, Michael John (with E. Downward); CROMPTON, Donald (with A. Cropp Hawkins & Co.); JOHNSTONE, Donald Peter (with J. Paterson Brodie & Son); LAWTON, William (with Bourner, Bullock & Co.); RUTTER, James Edgar (with E. Downward).

Stourbridge—WOOLF, Gordon Israel (with Folkes & Campbell).

Sunderland—JOHNSON, Alan (with Bolton, Wawn & Co.).

Swansea—EVANS, John Spencer Protheroe (with F. C. Bevan & Co.); JOHNSON, Kenneth James (with Ashmole, Edwards & Goskar).

Swindon—DUCKETT, Arthur George (formerly Borough Treasurer's Department).

Tunbridge Wells—CHEDZEY, Ronald Henry (with Milton, Murrells & Co.).

Wakefield—MILLS, Aubrey Taylor (Treasurer's Department, West Riding County Council).

Walsall—DAVIS, Kenneth (with W. J. Edwards & Co.).

Waterford—KELLY, Anthony Francis Leo (with W. A. Deevy & Co.).

Weston-super-Mare—BAWDEN, Ronald Charles (Borough Treasurer's Department); TOZER, Robert Stanley (with J. & A. W. Sully & Co.).

Wigan—TATTERSALL, Keith (with John King & Son).

Wisbech—HAMILTON, Donald (with Larking, Larking & Whiting).

Wolverhampton—JONES, Gilbert Arthur (with T. E. Lowe & Co.); WARD, Dennis John (with H. Davies & Co.).

Workington—SMITH, Herbert (with J. Jackson Saint & Co.).

Worthing—PARKER, Lucy Jean (with A. Chambers).

Wrexham—WARD, Harold (with John Unwin & Co.); WRIGHT, Idris (with John Davies & Co.).

Yeovil—HODGES, William Raymond (with J. & A. W. Sully & Co.).

York—ARDLEY, Charles Desmond (with Pulleyn, Creer & Co.); WRAGG, Charles Edward (with Forster & Stott).

PRELIMINARY EXAMINATION

Honours Candidate (1)

SHAPIRO, David Leon, 198, Evering Road, London, E.5. (First Place Certificate)

Candidates Passed (36)

ABBOTT, Brian Keith, 33, Leeds Road, Eccleshill, Bradford.

AFFLECK, Gordon Greenlaw, 71, Gayners Park Road, Upminster.

ASPRAY, Rodney George, 38, Garth Road, Brownley Green, Wythenshawe, Manchester.

AYTON, Ronald Benjamin, 17, Kilworth Avenue, Southend-on-Sea.

BAMFORD, Geoffrey, 1, Beaumont View, Hebden Bridge.

BAXTER, George Graham, 38, Mannock Road, London, N.22.

BEVAN, Peter Harrison, "The Crown Inn," Longden Road, Shrewsbury.

BRIGHT, Maurice, 22, Peartree Gardens, Walkerville, Newcastle-upon-Tyne, 6.

BUCK, Alan George, 119, Bendall Road, Kingsstanding, Birmingham, 22c.

BUTLER, Robin William, 107, Straight Road, Romford.

CASLAKE, Philip, 18, Satanita Road, Westcliff-on-Sea.

CHESTERTON, Ronald Richard, 21, Broadwaters Drive, Kidderminster.

CLAY, Raymond, 295, Derbyshire Lane, Sheffield, 8.

CRADDOCK, Dermot, 3, Albany Road, Northampton.

CROOK, John Arthur, 33, Ironside House, Kingsmead Estate, Marsh Hill, London, E.9.

FEELEY, Cyril Vincent, 3, Kilruddery Road, Broadgate, Preston.

FRAME, Raphael Donald, 1, Old Church Lane, London, N.W.9.

HARTLEY, Peter Kendrick, 56, Royal Park Avenue, Hyde Park, Leeds, 6.

HAYES, Cyril Godfrey, 3, Portrane, Donabate, Co. Dublin.

HOPE, James, 34, Sandwich Street, Walkden, Manchester.

HULL, John Donald, 139, Shelthorpe Road, Loughborough.

ISAACS, Stanley Irvyn, 3, Upavon Drive, Berkeley Avenue, Reading.

JONES, Alfred Clive, 28, Caledonian Road, West Hartlepool.

MALCOLMSON, Niall Alexander, 1, Rugby Parade, Belfast.

ORTON, Maurice Henry, 43, Alexandra Road, Wellingborough.

POLLOCK, Malcolm Ivor, 15, Paget Road, London, N.16.

ROBINSON, Brian, 1, Poole Street, Blackburn.

SARGENT, John Hugh, 3, Eastbourne Road, South Shore, Blackpool.

SCARGILL, Alvin, 85, Albion Street, Ravens-thorpe, Dewsbury.

SCOTT, Anthony Douglas, 12, Olive Gardens, Low Fell, Gateshead, 9.

SHINER, Robert Francis, 14, Heath Street, Stourbridge.

SIEGEL, Maurice, 144, Sherringham Avenue, London, N.17.

STACEY, Rex, 4, Victoria Row, Loughton, Pudsey, Leeds.

STANSFIELD, Norman, 6, Beechwood View, Charlestown, Hebden Bridge.

SULLIVAN, Thomas William, 3, Flaxton Place, Lidget Green, Bradford.

TURNER, Reginald, 6, St. Paul's Road, Miffield, Yorks.

DISTRICT SOCIETIES AND BRANCHES

SOUTH AFRICA (NORTHERN BRANCH)

THE ANNUAL SOCIAL GATHERING OF THE South African (Northern Branch) was held at the Wanderers' Club and Wanderers' Golf Club, Johannesburg, on Tuesday, November 28, 1950.

There was a record attendance of 178 members and clerks, including many who had travelled to Johannesburg from Pretoria and the Reef. The weather was kind—although the gathering was preceded by some heavy rain, which fortunately cleared—and the programme of games was carried out.

At lunch the chairman of the branch, Mr. R. T. C. Taylor, in welcoming all those who attended, drew attention to the friendly contact between members and their clerks and between firms, which was an immense benefit to all concerned.

The Aubrey L. Palmer Cup for the tennis competition was won by the honorary secretary of the branch, Mr. R. E. Grieve-son, and Mr. I. A. Bell, who defeated Messrs. F. McKeown and D. Stewart in the final. The golf competition was very closely contested, but Mr. P. W. Wilson eventually won, by a very narrow margin, the Sir

Llewellyn Andersson Trophy, Mr. A. T. Hoernle being the runner-up.

There was a good attendance on the bowling green in the afternoon, and the bowlers had a very enjoyable game.

LONDON STUDENTS' SOCIETY

(SOUTHEND-ON-SEA AND DISTRICT BRANCH)

SYLLABUS OF LECTURES

Lectures will be held at the Municipal College, Victoria Circus, Southend-on-Sea.

1951

February 16, at 7.45 p.m. : *Profits Tax*, by Mr. L. A. Hall, A.C.A., A.S.A.A. Chairman : Mr. S. T. Morris, F.S.A.A.

March 17, at 10.30 a.m. : *Current Economic Affairs*, by Mr. Leo T. Little, B.Sc.(ECON.) Chairman : Mr. E. A. Manning, A.S.A.A.

April 13, at 7.45 p.m. : *Design of Accounts*, by Mr. H. Basil Sheasby, M.B.E., F.C.A., F.S.A.A., J.P. Chairman : Mr. E. H. R. Martin, F.S.A.A.

EXAMINATIONS

THE SOCIETY'S MAY, 1951, EXAMINATIONS will be held on the following dates :

Final : May 1, 2 and 3, 1951.

Intermediate : May 2 and 3, 1951.

Preliminary : May 1 and 2, 1951.

The centres will be Belfast, Birmingham, Cardiff, Dublin, Glasgow, Leeds, Liverpool, London, Manchester and Newcastle-upon-Tyne.

Completed applications, together with all the relevant supporting documents and the fee (Final £5 5s., Intermediate £4 4s., Preliminary £3 3s.), must reach the Secretary, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2, not later than Monday, March 19, 1951.

Candidates are asked to obtain application forms from the Honorary Secretary of their Branch or District Society.

PERSONAL NOTES

Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A., a member of the Council of the Society of Incorporated Accountants, has again been appointed one of the independent members of the Clothing Industry Development Council.

Messrs. Priest, Marchant & Co., announce that Mr. A. A. Marriott, A.C.A., who has been with the firm for a number of years, has now joined them as a partner. The firm name remains unchanged.

Mr. A. J. Whittington, F.C.A., Winchester and Alton, announces that he has taken into partnership Mr. L. K. Wootton, A.S.A.A. The new firm name will be A. J. Whittington, Wootton & Co.

Messrs. Temple, Gothard & Co., Incorporated Accountants, of London, W.C.2, and Bow, London, E.3, announce that following the regretted death of Mr. Maurice Temple, F.S.A.A. (recorded in our last issue) the practice is being continued by the remaining partners, Mr. J. T. Patterson, F.C.A., F.S.A.A., Mr. W. G. Adams, F.S.A.A., and Mr. D. J. Ginnings, A.C.A., A.S.A.A., under the same style and at the same addresses.

Mr. Clement L. Minshall, A.S.A.A., has been appointed Accountant to Spring Theatres, Ltd., and Theatre Royal (Oldham), Ltd., Southport.

Messrs. Cassleton Elliott & Co. have opened an office in Kano, Northern Nigeria, under the management of Mr. L. M. Murphy, A.C.A.

Messrs. Maurice J. Bushell & Co., London, have taken into partnership Mr. C. Maurice Crapper, A.S.A.A., a grandson of the founder of the firm, who has been employed by them for a number of years.

Messrs. Saffery, Sons & Co., Chartered Accountants, London, E.C.2, have admitted to partnership Mr. Dennis T. H. Nicholson, M.B.E., A.C.A., the son of Mr. T. H. Nicholson, F.C.A., F.S.A.A., their senior partner, and Mr. Maurice E. Hatch, D.F.C., A.C.A., who has been associated with them for eleven years.

Messrs. J. & A. W. Sully & Co., South Molton, have admitted to partnership Mr. John B. Chilcott, A.S.A.A.

Messrs. Ralph Pinto & Co., Chartered Accountants, of 228-231, Gresham House, Old Broad Street, E.C.2, announce that Mr. John W. Lane, A.C.A., A.S.A.A., who has been a senior member of the staff for some years, has been admitted into partnership.

Messrs. Turquand, Youngs & Co. announce the admission to partnership of Mr. K. P. Chapman and Mr. S. G. Sillem. Mr. F. Carloss Griffiths has retired from the firm.

Messrs. Clements, Hakim & Co., Incorporated Accountants, of St. Paul's House, 61-63, St. Paul's Churchyard, London, E.C.4, announce that Mr. F. A. Magee, F.S.A.A., has resigned from the firm as from January 1, 1951, and that he has acquired the Hayes, Middlesex, section of the practice of their firm, which was conducted from Western Chambers, Station Approach, Hayes. The remaining partners, Mr. G. J. Hakim, F.S.A.A., and Mr. R. P. Hedley, F.S.A.A., are continuing the partnership and Mr. J. Ager, A.S.A.A., who has been with the

firm since 1938, and has now joined them in partnership. The name of the firm remains unchanged.

Messrs. Ford, Rhodes, Williams & Co., Chartered Accountants, of 4b, Frederick's Place, Old Jewry, London, E.C.2, announce that as from October 1, 1950, they have entered into partnership in Australia with Messrs. Haskins & Sells, U.S.A., and Messrs. Harris & Horne, Australia, under the name of Harris, Horne, Haskins & Sells. The practice will be carried on in Sydney, Melbourne, Adelaide and Brisbane.

REMOVAL

Messrs. Bowen, Dawes, Wagstaff & Co. have removed their Worcester office to 16 Bridge Street, Worcester. Telephone : Worcester 5771.

OBITUARY

HENRY JOHN BURGESS

We regret to record that Mr. Henry J. Burgess, F.S.A.A., died on December 18, 1950. Mr. Burgess was admitted to membership of the Society in 1892. On his retirement from public practice in 1940 he had been practising in the City of London for over 40 years. He was very well known in the City and was a member of the Common Council for the Ward of Aldgate at the time of his death. He always took a keen interest in the affairs of the Society of Incorporated Accountants, to which he rendered much service. He was elected a member of the Council in 1927, having previously been one of the Society's auditors. He was particularly interested in the work of the Benevolent Fund and held the office of Chairman of the Trustees for many years, bringing to it sympathy and understanding together with financial acumen. His colleagues on the Council, a large circle of other Incorporated Accountants and his many friends outside the profession will especially remember Mr. Burgess for his kindly and genial personality.

HARRY CUMMING

We regret to record the death on December 5 of Mr. Harry Cumming, Incorporated Accountant, of Preston and Blackpool. Mr. Cumming was 66 years of age. He became a member of the Society of Incorporated Accountants in 1918, after many years in the service of Mr. James Todd, Chartered Accountant. In 1921 he commenced the practice which he carried on until the date of his death.

Mr. Cumming took a keen interest in the work of the North Lancashire District Society, and was for several years a member of the Committee.